

NEWS: EUROPE

Rivals eye goal of Strasbourg football club

By Jimmy Burns in London and Andrew Jack in Paris

Rival consortia involving the International Management Group of sports entrepreneur Mr Mark McCormack and Saatchi & Saatchi, the UK-based advertising agency, are bidding to take control of the French football club Strasbourg.

The two groups, together with a third led by Mr Roland Weller, the president of the club, have each been approved as candidates for the purchase of the 49 per cent of the shares which are currently held by the city authorities.

The bids for Strasbourg represent a significant "market" development for the traditionally highly-protected French football industry. French clubs have previously been run as non-profit-making companies with participation from local authorities.

Under a strategy plan mapped out recently by the local authorities, Strasbourg football club will take on a new corporate identity by the middle of this month, with majority shares held by entrepreneurs with the expectation that it may eventually be floated on the Paris stock exchange.

Mr Robert Herrmann, Strasbourg's deputy mayor for sport, yesterday confirmed the identity of the bidders and said a choice would be made among other factors on the assurance that the successful bidder would maintain a long-term presence for football in the area. He said the local club was financially healthy, with more than FFr30m (US\$4m) in reserves and regular profits, and was run with "tight management" and a supervisory board.

However, he said the decision to sell the city's stake reflected a belief that "the taxpayer should no longer support football" and that French law should be modified so football clubs could turn into for-profit companies as in the UK. He said Strasbourg would remain owner of the stadium in which the football team plays.

The bidders have until the start of next week to provide written assurances to support questions they received during hearings last Tuesday by a five-person panel set up to judge the candidates.

Mr Patrick Proulx, IMG's senior international vice president with responsibility for France, said last night: "Strasbourg is one of the

Europe's main administrative cities and deserves to have a club worthy of playing among the best in Europe's number one sport."

According to Strasbourg city officials, Saatchi & Saatchi forms part of a consortium which includes the club's former president, Mr Jean Wendeling.

Mr Alex Sandberg, spokesman for Cordiant, the marketing services group which owns Saatchi & Saatchi, confirmed that the advertising agency was considering an unprecedented involvement in the growing business of European football.

Kohl urges all-party effort for jobless

By Ralph Atkins in Bonn

Germany's Chancellor Helmut Kohl appealed yesterday for cross-party support for a package of measures to tackle the country's rising unemployment, which threatens next week to set another post-war record.

In an address to the Bundestag, the lower house of parliament, Mr Kohl predicted the upward unemployment trend would be reversed later this year. But even the expected average level for 1997 of 4.1% "can be acceptable to no-one".

Figures to be published next Thursday are widely expected to show headline unemployment for January above last February's record 4.7%, with the impact of a severe winter continuing to feed through. Seasonally adjusted figures are also expected to show a large jump to a new high.

In the same debate, Mr Theo Waigel, finance minister, offered to bring forward by one year recently unveiled plans for big tax cuts due to be implemented in 1999 - provided the rival Social Democratic party agreed to end its "blockade politics" in the opposition-dominated upper house of parliament, the Bundesrat.

Mr Kohl's comments came after fierce fighting within the ruling coalition in Bonn over the proposed tax and social security reforms. Mr Norbert Blüm, labour minister and architect of planned changes to the state pension system, has hinted he might resign if he does not win his battle to finance some state benefits through a rise in value added tax.

In a speech interrupted frequently by opposition heckling, Mr Kohl said business, unions and politicians carried "the same responsibility for reducing unemployment" and reaffirmed a "common goal" of halving the total by 2000. Economic growth would not be enough. There had also to be structural reform.

Besides tax and pension reform, his prescription for job creation included:

- Encouraging unions and employers to include in pay deals measures to lower non-wage costs and help the long-term unemployed back into work.

- Less overtime and more part-time work. Germans worked 1.8m hours' overtime last year. The proportion of women part-time workers was half as high as in the Netherlands. For men, the proportion was only a quarter, Mr Kohl said.

- Promoting a "self-reliance culture" - including plans to help businesses seeking to raise capital via stockmarket listings.

- Encouraging research and development, particularly in fast-growing industries such as bio-technology.

Commission to delay hours ruling

By Robert Corzine in London and Caroline Southey in Brussels

The European Commission is set to delay publishing details on extending the 48-hour week to 9m workers until after the British general election, to avoid a fresh row between London and Brussels over the sensitive issue of EU social policy.

Confirmation of the delay comes as EU industry steps up its campaign against the directive being extended to most workers in sectors not excluded, such as in transport and the offshore oil industry.

EU officials confirmed the Commission would not meet its March deadline for tabling proposals on extending the 48-hour week directive to eight new sectors. EU diplomats believe the delay is deliberate, as the Commission does not want to act during a British election.

Commission officials stressed that no decision had been made to delay the publication date but that it was increasingly likely because of deep divisions within the commission. The issue of which workers should be included in the new directive has pitted officials in the social services department against those representing the transport and oil sectors as well as small businesses.

The working time directive obliges EU members to introduce laws giving workers mandatory rest breaks, a minimum daily rest period of 11 hours, at least one day off a week, no more than eight hours a shift on average for night work and four weeks' annual paid holiday.

EU transport and offshore oil industries are strongly opposed to Commission plans, pointing out that working patterns in these sectors do not fit the standard 9am-to-5pm working day.

The UK's multi-billion-pound offshore industry has argued it would be one of the worst hit if most of its workers were brought under the new law. It would require radical changes to offshore manning levels that could cost the industry £500m-£100m (US\$80m-\$160m) a year.

Such changes would also raise safety issues, as North Sea platforms would have to be modified to house additional workers. It would also mean many more helicopter flights, statistically the most dangerous part of offshore operations.

French transport companies have also lodged complaints, fearful that a new directive would undermine a deal on working time with hauliers that ended a bitter strike last year.

Brussels to clarify stance on deficits

By Lionel Barber in Brussels

The European Commission will publish guidelines on Monday attempting to clarify when governments can use creative accounting to reduce their public deficits in order to qualify for economic and monetary union.

Statisticians from the 15 EU member states were finalising a draft of the report at a meeting in Luxembourg yesterday.

Their recommendations will be passed to Eurostat, the agency which handles statistics for the European Commission.

National statisticians are said to be unhappy about political pressures to influence their conclusions. Commission officials stressed again yesterday that Eurostat is an independent professional body whose work conforms with internationally accepted accounting procedures.

Last year, a row erupted over Eurostat's favourable verdict on a one-off, anomalous FFr37.5bn (US\$5.75bn) payment from France Telecom to the government covering pensions liabilities amounting to 0.5 per cent of gross domestic product.

Next week's report is understood to cover at least six separate issues which could apply to any individual

country. These include privatisation of state holding companies, zero coupon bonds, private sector financing of public sector infrastructure and treasury operations such as gold sales.

Last year, Belgium sold a large portion of its gold reserves, raising an estimated FFr31bn (US\$4.3bn) or around 1 per cent of GDP. The money was transferred to the government and used to pay off foreign currency debt. Though this debt-reducing operation is widely viewed as legitimate, some analysts fear it could be used by others to cut deficits.

The Italian government has proposed several changes to the treatment of the debt of state-owned companies such as the national railways. It also seek approval for the treatment of a one-off surcharge on income tax bills known as the Euro-Tax, which is expected to raise about 0.5 per cent of GDP.

Financial markets will scrutinise the Commission report to see if the argument over creative accounting is moving in favour of more leniency. A restrictive interpretation would damp what many believe is excessive confidence in a "broad Euro" embracing the southern countries.

Aix-en-Provence, Marseilles and Bordeaux - where Mr Alain Juppé, the prime minister, is also mayor - have not responded, and nor has Paris. Bordeaux's lack of a response seems strange since Mr Juppé last Saturday announced plans for a commission to consider the question of Jewish assets seized during the war under the Vichy regime.

INTERNATIONAL NEWS DIGEST

NatWest gives up Serbia role

NatWest Markets, the investment banking arm of National Westminster Bank, has abandoned its efforts to help Serbia renegotiate its debts to commercial banks.

NatWest's role as adviser to President Slobodan Milosevic's government has been controversial because of the presence on its board of Mr Douglas Hurd, the former British foreign secretary, and Dame Pauline Neville-Jones, the UK delegate at the Dayton peace talks.

NatWest said it had taken on an advisory role at a time when Mr Milosevic was committed to an economic programme built on liberalisation and privatisation.

"Obviously recent actions show a move away from that commitment. As a result, we have indicated to the government that it is not possible to progress the work on a debt settlement," a NatWest executive said.

Debt negotiations have been complicated by disputes over how much of the debt of the former Yugoslavia should be borne by each of its now divided republics.

Guy Dumore, Belgrade, and George Graham, London

North Korea rejects meeting

North Korea yesterday said it would not attend a briefing with the US and South Korea on proposed peace talks until it had been guaranteed the supply of 500,000 tonnes of grain from the US to feed its starving population. North Korea had been scheduled to attend the briefing next week in New York, which would have been its first official contact with South Korea in more than two years.

But negotiations with Cargill, the US agricultural trading company, on harder terms for the grain shipment downed last week, North Korea suggested that it had agreed to attend the briefing in return for the grain supplies.

Meanwhile, Mr Lee Soo-sung, South Korea's prime minister, yesterday indicated Seoul might withhold financing of a \$5bn nuclear reactor project for North Korea unless Taiwan dropped its proposal to ship low-grade nuclear waste to the North. John Burton, Seoul

French probe Jewish property

Three provincial French cities are considering setting up commissions to examine if they still control property confiscated from Jewish owners during the second world war. The mayors of Strasbourg, Toulouse and Lyons have agreed to consider proposals made in early November last year by the Simon Wiesenthal Centre, which acted after revelations that such property was controlled by the city of Paris.

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Andrew Jack in Paris

HK exchange chief quits

Mr Herbert Hui, deputy chief executive of the Hong Kong stock exchange, is stepping down after eight years to return to the private sector. His resignation, which takes effect from the end of April, is the second top-level departure at the exchange. Mr Paul Chow, chief executive, left yesterday after saying he would quit last July.

The departures come at a politically sensitive time, as Hong Kong prepares to revert to Chinese sovereignty in July. The handover has stimulated a flurry of corporate activity, both share ownership restructuring and fund-raising exercises designed to capitalise on an expected surge of liquidity from the mainland.

Mr Hui and Mr Chow had clashed in the past, and a number of industry figures predicted Mr Hui would quit when he failed to secure the chief executive slot - which went instead to Mr Alec Tsui, also a deputy chief executive.

Louise Lucas, Hong Kong

Spain's single currency boost

Spain's hopes of meeting the conditions for the European single currency were bolstered yesterday by official figures showing the central government's budget deficit came within the target figure last year. The deficit, calculated on the terms used for the Maastricht monetary union criteria, fell from a revised 5.4 per cent of gross domestic product in 1995 to 3.3 per cent. This was below 0.5 per cent of GDP.

Some Russians draw parallels with the wave of Chinese émigrés who fled their homeland soon after the Communist takeover of power and subsequently built business empires throughout south-east Asia. However much they may still loathe the Communist party, these émigré Chinese are re-investing in their homeland on a large scale.

Mr Vitaly Kozlov, a Russian émigré who runs Columbus Partners, a Los Angeles-based fund management group, is looking to raise \$10m to invest in developing markets, including Russia.

And he is targeting a pool of 80,000 Russian émigrés who live in the Los Angeles area and another 1m who live around New York. Mr Kozlov says many recent Russian émigrés have

Albanian crisis sees currency fall sharply

By Kevin Dona and Kerin Hope in Tirana

worked successfully in the US for 20 years as lawyers, doctors or engineers and have amassed funds which they would like to invest abroad.

Mr Kozlov's idea is to invest in high-yielding short-term government securities in Russia and in its biggest corporations, although he stresses his fund is driven more by the head than the heart.

"We are not necessarily investing in Russia out of sentimental reasons. It is because it is the number one investment market in the world right now," he says.

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Mr Alex Knister, co-head of Credit Suisse's Moscow office, doubts such recent Russian émigrés have anything like as much money to invest in Russia even if they had the inclination.

"These people left Russia with nothing. A lot of those who return come with new skills and talent but not with much money," says Mr Knister, who emigrated from Moscow in 1976 with his parents but has come back to Moscow to run an investment bank.

John Thornhill

Following an emergency meeting of the Albanian cabinet a new law was announced yesterday to set up the procedures for distributing around \$300m to more than 200,000 savers in two pyramid schemes, Xhaferr and Populli, which the government has declared to be fraudulent.

The pay-out of funds from these two schemes, which the government managed to freeze in their deposit accounts in state-owned banks, due to begin next week.

Dealers said the value of the Albanian currency plunged to 135 leks to the US dollar yesterday from 119 leks the day before and from 110 leks two weeks ago. The currency fell as low as 132 leks during trading but recovered later in the day following intervention by the central bank, which was believed by dealers to have sold around \$2m to slow the fall. The Bank of Albania's foreign currency reserves totalled around \$280m at the beginning of this year.

In the absence of a developed banking system, currency trading in Albania is still largely carried out in an informal street market, although the central bank hopes to take measures later this year to formalise these activities.

"The collapse of politics is leading to a collapse of the economy," said Mr Fatmir Gjyriqi, a currency dealer.

Dealers believe that foreign investors will be frightened away from Albania because of mounting political instability.

Perched precariously. Page 9

Before his capture in January 1996 in the northern Mexican city of Monterrey, Mr Garcia Abrego was one of the world's biggest drug traffickers and had been placed on the FBI's 10 Most Wanted list. His Gulf cartel shipped billions of dollars of cocaine and marijuana to the US from the 1970s, drug agents said.

Reuter, Houston

ECONOMIC WATCH

Unemployment falls in France

French unemployment edged down in December, providing another small measure of encouragement to the hard-pressed government of Mr Alain Juppé, the prime minister, after a year that has brought a fall in interest rates and signs of mounting business confidence.

Figures released yesterday by the labour ministry put the jobless total at 3.05m, a fall of 29,000 or 0.9 per cent, more than cancelling out November's 0.7 per cent increase. The unemployment rate remained around 12.7 per cent - a post-war record, and a full percentage point higher than a year ago. Analysts said the overall trend in unemployment was still upwards.

Yesterday's figures came as Mr Gilles de Robien, president of the centre-right UDF, the junior partner in France's ruling coalition, made a strongly worded call for what he termed the "battle for jobs" to be stepped up. He urged "technocrats" to start concentrating less on stock market quotations and more on the unemployment rate.

Mr de Robien last year introduced a law providing tax exemptions for companies shifting employees to part-time working. The government is considering reducing its scope because it has proved so popular that it could become financially insupportable.

David Owen, Paris

Four others arrested over 1995 murder of founder's grandson

Ex-wife held for Gucci killing

By Robert Graham in Rome

The turbulent history of the Gucci family, creators of the world famous leather goods company, took a new turn yesterday when a former wife was charged with the 1995 murder of Maurizio Gucci, the founder's grandson.

Police arrested Ms Patricia Reggiani, 42, Rue de la Boétie, 75008 Paris. Telephone 01 5376 8354. Fax 01 5376 8253. Printer 5174 7312. Email: patricia.reggiani@gucci.com. Lambert, ISSN 1148-7373. Commission Paris. No 678080.

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GERMANY: Responsible Publisher: P. Marzilli, 42 Rue de

est gives bia role

By Bruce Clark
in Washington

nuclear waste - now kept in underwater storage pools which are almost full - from January 1998.

The department has indicated it will not have the capacity to do this, and it has also warned that a long-neglected underground storage site in Nevada, for the country's entire stock of nuclear waste, will not be built until 2010 at the earliest.

Yesterday's move will intensify the political pressure put on the administration to soften its opposition to the idea of a temporary storage site, also in Nevada, which has won strong support in Congress.

The department's

which has already gathered about \$12bn, and put the money into an escrow account instead.

The department's record in the management of nuclear waste is only one of a string of controversies for Mr Federico Peña, the new energy secretary designate, who will have to tackle if his appointment is confirmed.

At a nomination hearing this week, Senator Frank Murkowski, the energy committee chairman, commented caustically on Mr Peña's lack of expertise in the field but promised that Congress was willing to give him a chance.

"A little ignorance is not necessarily a bad thing,"

said Mr Murkowski, an Alaska Republican. "It's been said that when you don't have an education, you are forced to use your brain," he told Mr Peña, a former transport secretary and the senior Hispanic member of the Clinton team.

Questioned closely about the idea of a long-term waste storage site in Nevada, Mr Peña told the committee that feasibility studies were continuing but he could see no "show-stoppers" to prevent the project going ahead.

Senator John Glenn, an Ohio Democrat, this week released a list of \$500m worth of property which he said had been lost by the

Vietnamese to be executed for corruption

By Jeremy Grant in Hanoi

and deter foreign investment.

Last week, the 18-member politburo issued new ethical guidelines for Communist party members. They included a clause demanding that all government officials disclose their assets. Any state or military official found guilty of defrauding the country, implicated in its largest bank and involves the loss of \$40m.

Bribery, shady business dealings and influence-peddling were among the charges faced by the 20 defendants in the trial, which is being seen as a showcase for the ruling Communist party's drive against graft.

The four to be executed

included Mr Pham Huy Phuc, former head of a Communist party business unit called Tamexco, was found guilty of embezzling bank loans. The court heard that he had bought his mistress a \$200,000 villa in Ho Chi Minh City and gambled away company cars.

The 16 other accused were

sent to prison, many for life. Among them was the former head of Vietcombank, the country's largest state-owned bank, and a former chairman of FirstVina, a joint venture bank involving South Korea's Daewoo Group.

Last night, Vietnamese

television showed the four condemned men, dressed in sandals and blue pyjamas, being handcuffed and led to police vans. Hundreds of onlookers crowded a car park in front of the French colonial courthouse, listening to the verdict being read out on speakers.

Rapid economic growth

has made millionaires of

some Vietnamese businessmen, often exploiting loopholes in rudimentary laws and milking political connections for personal gain.

That has alarmed the

Communist leadership, which appears determined to root out graft, which threatens to erode its legitimacy.

South Korea asks banks to provide \$1.2bn to save steel mill

By John Burton in Seoul

The South Korean government is to ask banks to lend another Won1.000bn (\$1.2bn) to complete the construction of a giant steel mill that led to the collapse of the Hanbo group.

The Won6,000bn mill, which will produce at least 6m tonnes of steel, will be sold or nationalised once it is completed by the end of the year. This will enable banks and other financial institutions to recover some of their Won5,000bn loans to Hanbo, which filed for bankruptcy this week.

Officials said the action was necessary to stabilise the economy, although the

steel mill is regarded by some as a "white elephant" industrial project that will contribute to a production glut amid sluggish demand for steel.

Mr Kim Young-sam, the South Korean president, said the collapse of Hanbo underscored the need for the reform of the banking sector.

The government has blamed corrupt bank officials for excessive lending to the financially shaky Hanbo group, while the opposition claims that Mr Kim's administration pressed the banks to make loans in return for political donations from Hanbo.

The government is likely to accelerate plans for bank



President Kim Young Sam, second left, and officials pay respects to the flag before discussing the Hanbo collapse

NEWS: DAVOS SUMMIT

Basis of rapprochement between the countries 'still fragile', says professor

US military stance in Asia irks China

China yesterday expressed concern about recent US moves to strengthen its military arrangements with Japan and other leading allies in Asia and said the policy was creating uncertainties about security in the region.

The warning was conveyed by Professor Yuan Ming, director of International Relations at Beijing University.

She also attacked the US over its role in the Korean and Vietnam wars and

claimed China had no responsibility for provoking last year's crisis over Taiwan.

Professor Yuan Ming, an internationally-recognised authority on US China relations, who has held aca-

demic posts in the US and Britain, emphasised that her remarks reflected official attitudes in Beijing and did not necessarily correspond with her own views.

She said China understood why other Asian countries wanted the US to keep a strong military presence in the region, but that there were "still quite a lot of suspicions" in Beijing about the policy.

She said people at all levels in China were asking what US engagement in Asia

meant and why Washington wanted to strengthen alliances there. "With all these suspicions in mind, we cannot be too optimistic," she said.

While she welcomed recent efforts to improve relations between the US and Beijing, including the agreement by President Bill Clinton and President Jiang Zemin to exchange state visits, she said the basis of their rapprochement was "still fragile".

She hoped it would pro-

duce closer co-operation, but said there was still a risk that US-Chinese relations would be torn by conflicts over trade and human rights and might even deteriorate into the "horror scenario of a clash of civilisations".

Congressman Douglas Bereuter, Republican chairman of the House of Representatives' sub-committee on Asia Pacific affairs, emphasised that the US was firmly committed to maintaining a sizeable military presence in Asia.

Guy de Jonquieres

Supplies of energy safe for 50 years

The next energy crisis is unlikely to occur within 50 years, a senior British businessman said yesterday.

Mr John Baker, chairman of National Power, Britain's biggest electricity producer, said the problems of finding fresh energy resources were unlikely to become an issue until 2050.

Mr Baker, speaking at a seminar sponsored by Price Waterhouse, said concerns about the security of energy supplies, which had been common in the 1970s and 1980s, were a thing of the past.

The world had never felt more relaxed about the security of energy supplies and this was having a big impact on the structure of the power industry.

Fears of energy shortages had been a driving force in shaping the industry in the past. However, these concerns had receded. Governments no longer felt the need to own the electricity industry for example, and this was encouraging more and more of the industry to be privatised.

Another factor reshaping the British electricity industry in particular was the switch to gas as a fuel. From

nowhere six years ago gas was likely to provide more than half of the fuel for electricity production by 2010.

Apart from plentiful supplies of gas, big improvements in gas turbine technology combined with the increasing efficiency of very small power stations was leading to a dramatic change in the structure of Britain's electricity industry.

At the same time the use of coal in UK power generation, which had been running at 100m tonnes a year, would drop to 10-20m tonnes by 2010.

Mr Baker, whose company is Britain's biggest operator of renewable energy, does not expect this sector to challenge fossil fuels over the next 50 years. At present 2 per cent of energy came from new renewable resources such as wind and sun. The percentage could rise to between 6 and 8 per cent by 2050, said Mr Baker. This would still be a very small percentage given that 10 per cent of the world's energy is currently provided by "old" renewable energy sources such as wood and animal dung.

William Hall

Russia expects economic growth of 5-6% by 2000

The Russian economy should be capable of 5-6 per cent growth by the year 2000, Russia's economic minister, Mr Yevgeny Yasin, said in Davos yesterday. However, this depended crucially on a number of reforms, without which Russia was threatened by long-term recession.

Mr Yasin said government spending must be cut from its level of 39 per cent of GDP last year. "A government with a healthy economy can afford that," he said. "One in a state of crisis like ours must stick in a range of 25-30 per cent."

He said cuts would come in social spending, with housing subsidies from local authorities to be phased out by the year 2000. There would also be further cuts in defence spending, and increased restructuring of natural monopolies.

He said: "Our analysis has shown that if, over the next two to three years, we can implement these reforms, that will allow us to reduce the tax burden. That will in turn allow interest rates to be no more than 5-7 per cent above inflation." He said he hoped inflation would also fall to 5-7 per cent by 2000.

Mr Alexander Shokhin, first deputy chairman of the Russian Duma, the parlia-

ment, said the main precondition for an economic boom by 2000 was not enacting new laws, but enforcing existing ones. Arbitration courts took many months to reach decisions, he said. "A system is emerging which bypasses both the courts and their decisions. In the west, they call it the Mafia."

Western business men in the audience criticised uncertainties in Russia's tax system, which made it impossible to evaluate investments on a medium-term basis.

Mr Shokhin said it might be possible to cut profits tax on corporations by up to two thirds for those which adopted international accounting standards. But disagreements in the Duma on tax reform might make it necessary to introduce a temporary tax which would be easier to collect.

Responding to questions on discrimination against foreign investment, he said the Duma would shortly discuss drawing up an exhaustive list of sectors barred to foreign investors. He claimed the list was largely based on US practice, and

was designed to assist foreign investment.

Mr Dmitri Vasiliev, chairman of the federal commission for the securities market, said the strength of the Russian stock market, which has doubled in the past year, should be sustainable.

He said a survey of 200 fund managers specialising in emerging markets had shown confidence in Russia rising sharply, with 66 per cent of UK fund managers prepared to invest, against 30 per cent a year earlier.

Tony Jackson

Cybermoney gains currency, past and future

The future of cybermoney, it seems from Davos, is up for grabs: that is, if anyone can define it.

According to some speakers here, it has been around for a quarter-century without anyone noticing. Others say it is the wave of the future and spells the doom of the commercial banking system.

Mr Ed Jensen, president and chief executive officer of the credit card group Visa International, said his company had operated a global electronic network since its foundation 25 years ago.

So-called e-money, he said, was already around in the form of credit cards and ATMs. Beyond that, it was scarcely needed. "Would you save e-money?" he asked. "Would you have e-money denominated investments?"

From the point of view of consumers, what's wrong with existing currencies? E-money will be used for small payments, like cash is now. It's very unlikely it will go direct from wallet to wallet.

Others were less sure.

Tony Jackson

US labour chief's backlash warning

Mr John Sweeney, US union leader, warned corporate executives yesterday that the chase after profits at the expense of worker salaries and social protection would bring a destructive worldwide backlash, Renter reports from Davos.

Experience in the US had shown that companies "downsizing" their workforce and slashing benefits ended up in worse shape than they had started, he said.

Examples were strife over Korea's new labour law, popular support for French public service workers resisting spending cuts, and Argentina's recent general strike.

NEWS: UK

The recent strength of the pound appears to have subsided, to the relief of exporters

Sterling slides as rate rise is ruled out

By Graham Bowley,
Economics Staff

The pound fell sharply yesterday as more traders ruled out another rise in interest rates before the general election.

Interest rates are expected to stay unchanged next week after Mr Kenneth Clarke, the chancellor, sees Mr Eddie George, governor of the Bank of England, the UK central bank, for their regular

monthly meeting to set monetary policy.

Sterling fell a further 22 pence against the D-Mark to DM2.6244, down at the end of the second consecutive week in a row of volatile trading. The pound has now dropped about 9 pence from its peak of DM2.7133 on January 22.

Against the dollar, the pound rose to levels not seen since its 1982 ejection from the European exchange rate mechanism, as speculation

December peak of \$1.7113. The pound's further decline suggests sterling's recent strength may be over and could bring relief to UK exporters who have been complaining that the currency's sharp rise in the second half of last year had hit exports.

At the turn of the year, the pound rose to levels not seen since its 1982 ejection from the European exchange rate mechanism, as speculation

mounted that strong economic growth would force a sharp interest rate rise.

But a run of weak economic data this year has enabled Mr Clarke to leave rates at 6 per cent, arguing that the pound's rise was based on pound inflation.

Mr George is again expected to repeat his calls for higher rates when he meets Mr Clarke. At their December meeting, Mr George said strong growth in consumer

spending and rapid expansion of the money supply meant rates should rise by a half point in the first few months of this year, the Bank's minutes showed this week.

However, Mr Clarke believes the economy can grow for some months yet before inflationary pressures build and point to a rate rise.

Mr Gordon Brown, of the opposition Labour party and the shadow chancellor, said

yesterday that the present pattern of economic growth was unbalanced. "There is now a growing unease that in the present cycle we are in danger of repeating the pattern seen in previous recoveries - that we have, essentially, an unbalanced recovery," he said.

On a trade-weighted basis, the pound slipped from 95.2 to 94.4. It had dropped to a low of DM2.6144 more than 3 pence down on the day.

UK NEWS DIGEST

Government to cut 1,200 jobs

The Home Office, the government department that deals with domestic affairs, is set to cut 1,200 jobs because of the success of a new computer system designed to streamline immigration.

The government said that about 800 administrative posts will be cut during the 1996-1997 financial year, with a further 400 the following year. The job losses will not be restricted to immigration officers, but will be spread across the entire Home Office. Mr Martin Kelcey, secretary for the Home Office branch of the Civil and Public Services Association, the trade union, warned that the moves were "arbitrary and unjustified" and said staff would seriously consider taking industrial action as a result. The new computer system was commissioned last year from Siemens, the German group, under the government's private finance initiative, which seeks to bring private funding to public projects.

Mark Suzman

■ MALAYSIAN DAM

Company urged to abandon deal

Friends of the Earth, the environmentalist group, yesterday urged the Bucknall Group, believed to be the only British company so far to have won a contract for a slice of Malaysia's controversial Bakun Dam project, to pull out of the deal.

But the company, which yesterday declined to put a figure on the contract, said it saw no reason to "reconsider" its position. "Our role is entirely subsidiary to the major issues being highlighted by environmental groups," it said. Its joint venture's job was to "co-ordinate" the activities of consultants and contractors involved in preparing the site and resettling the estimated 10,000 people who will have to be moved to make way for the dam.

The leading western contractor for the dam project is ABB, the Swiss-Swedish group which has been urged to pull out of the contract by a group of 100 environmental pressure groups.

Leyla Boultton

■ NORTHERN IRELAND

'Bloody Sunday' factories dispute

Factories in Londonderry in Northern Ireland were briefly disrupted yesterday as Protestants refused to work alongside Roman Catholic employees who were wearing black ribbons to commemorate Bloody Sunday, the day 25 years ago on which 14 unarmed civil rights marchers were killed by British soldiers.

The hardline pro-British Democratic Unionist party said five factories in the area faced interruptions to production as unions and management met to discuss the dispute. The incident is a measure of the community tension as this weekend the Derry area prepares to mark the 25th anniversary of Bloody Sunday.

John Murray Brown

■ EUROPEAN UNION

Lady Thatcher heartens sceptics

Baroness Thatcher, the former Conservative prime minister, yesterday gave her tacit support to a private members' bill which effectively calls for Britain to leave the European Union.

Making a rare appearance in the House of Lords, the unelected upper chamber of parliament, she listened as Tory Eurosceptics spoke in favour of the measure, which would repatriate power from Brussels to Westminster. Lord Pearson's bill would repeal crucial sections of the European Communities Act 1972, under which EU law was made superior to UK legislation. Although it stands no chance of becoming law, it proved to be a rallying point for Eurosceptic peers, and a further illustration of the increasingly anti-European mood throughout the Tory party.

George Parker

■ GENERAL ELECTION

Premier launches share plan

Mr John Major, the prime minister, yesterday launched a new attempt to put wider share ownership at the heart of the ruling Conservative party's general election manifesto. Reassuring his personal commitment to get more than 50 per cent of the employees of large companies buying shares in those companies by the end of the century, the prime minister announced that the Inland Revenue would be relaxing rules that operate in this area. At the second of his pre-election press conferences at Conservative central office, Mr Major said he would be changing the rules that govern Treasury-approved profit-sharing schemes to make them more attractive for employers to run.

James Blitz

■ TELECOMMUNICATIONS

BT charges praised in study

The prices British Telecommunications charges its competitors to use its network are among the lowest in the developed world, a study has shown.

BT released the results of the study, which it sponsored and which was carried out by Ovum, a London-based consultancy, to support its response to proposals by Ofcom, the industry regulator, which would, for the first time, set a cap on the prices BT charges for interconnection.

The Ovum study shows that BT charges 0.76 pence (\$1.13) per minute in the UK for interconnection compared with 1.31p for Ameritech in the US, 1.85p for Telstra in Australia and 3.37p for Telecom New Zealand. Alan Cane

Minister scorns Scottish party's EU aspirations

By James Buxton in Edinburgh

An independent Scotland would not qualify for membership of European monetary union and for that reason alone would not be allowed to join the European Union, Mr Michael Forsyth, chief minister for Scotland in the British government has claimed in an attack on the Scottish National party.

Mr Forsyth accused the SNP, which campaigns for an independent Scotland and separate Scottish membership of the EU, of wanting to surrender Scotland's sovereignty to Brussels. Scotland, which was an independent kingdom until the 17th century, is now part of the UK and is governed from Parliament at Westminster.

Mr Forsyth's attack is significant because the nationalists lead the Conservatives in Scottish opinion polls, and had 23 per cent support compared with the Conservatives' 19 per cent in an ICM poll last month. The next general election is expected to be held on May 1.

The SNP, which won only three seats of the 72 Scottish House of Commons seats in

the 1992 general election, hopes to win more from the Conservatives this year, notably the Galloway and Upper Nithsdale seat of Mr Ian Lang, the chief industry minister.

Mr Forsyth said SNP calculations of Scotland's fiscal position if it became independent were based on "creative accounting and sleight of hand". Scotland's budget deficit had in recent years ranged from two times to four times the ceiling of 3 per cent of gross domestic product required for Euro membership, and Euro membership was required of all new EU members.

"The only means by which the deficit could be narrowed is by increasing taxes or cutting public expenditure, but the SNP claim they would do neither," Mr Forsyth said.

Mr Forsyth, who is on the Eurosceptic wing of the Tory party, said there was growing apprehension in Europe about the extent of integration. Nowhere, other than in [SNP leader] Mr Alec Salmond's overactive imagination, is Brussels seen as an agent for enhanced sovereignty," he said.

Book battle unlikely to be won

Court sees public figures defend 100-year old publishing deal

The High Court in London last week was the setting for an assault of public figures - including Mr Tom Stoppard, the playwright - to fight what might be an unwinnable battle over a 100-year old publishing agreement.

They went to court to contest the Office of Fair Trading's attempt to have the net book agreement, which prevented booksellers from discounting the price of new books until its collapse last year, declared illegal.

Even if they win, it is highly unlikely that the agreement will come back into force. Although the court is empowered to decide that the agreement is still legally valid, as it did in 1962 when it dismissed a previous OFT attempt to outlaw the pact, it cannot force the book trade to reinstate it.

The net book agreement collapsed in September 1995 when several large UK publishers, and W.H. Smith,



Playwright Tom Stoppard (right) with leading London literary figure Auberon Waugh outside the High Court

Britain's largest book retailer, announced their withdrawal. Other publishers and retailers swiftly followed suit rather than risk losing market share to the discounters.

The OFT decided to launch a second legal assault on the grounds that as the book trade had abandoned the agreement, it was useless in practical terms and should formally be abolished.

However, the agreement

still commands considerable support within the book trade. Mr John Calder, an independent publisher, and Ms Jenny Glazier, chairman of the National Acquisitions Group, an organisation representing a cross section of the publishing industry, decided to defend it against the OFT's legal onslaught.

They persuaded Sir David Steel - former leader of the Liberal Party, and co-founder of its successor the

The OFT has argued that the book market is now less vulnerable to discounting than in 1962 and wants the agreement to be declared void. The Calder lobby is anxious to maintain the agreement's legality in the hope that the book trade will eventually decide to reintroduce it.

The opposing factions

finished giving evidence yesterday and await the court's decision, which is due by the end of February.

Alice Rawsthorn

Election jitters take the edge off gilts

Political uncertainty has forced government to offer a higher rate of interest on bonds

Worries over the timing and outcome of the UK general election are behind a reluctance to buy gilt-edged or government-backed securities - forcing the government to offer a higher rate of interest to attract investors, City of London economists are claiming.

A number of concerns has unsettled the market, according to analysts. Among them are fear of government by the main opposition Labour party, the possibility of a hung parliament, in which no party has an absolute voting majority; fear that government policy is not bearing down on inflation; and political relations with the European Union.

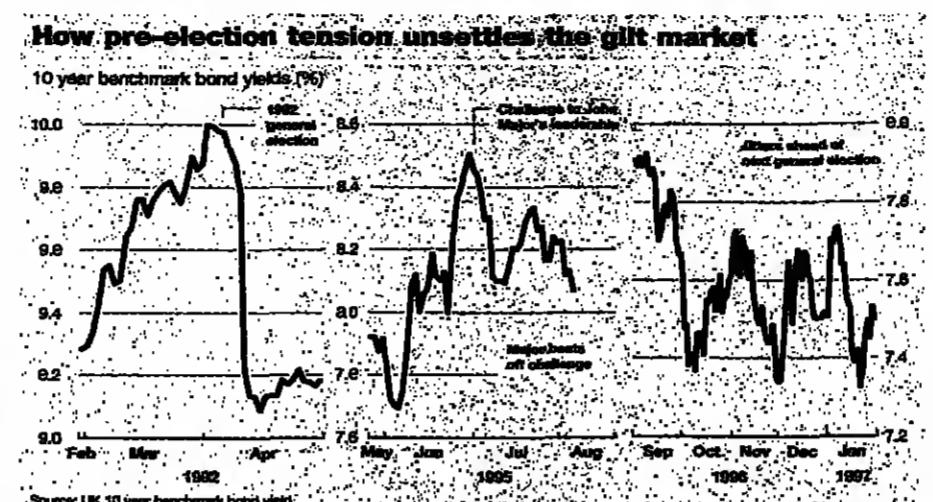
The market has accepted the possibility the UK will not be in the first wave of European monetary union, and short-term worries over

inflation have evaporated, leaving politics as the "unambiguous" reason behind gilt's performance, according to Mr Julian Jessop, an economist at Nikko Europe bank in London.

Since the start of 1997, gilt prices have been flat, while other UK markets - equities, sterling and interest rate futures - have reacted strongly to declining expectations of an imminent rise in domestic interest rates.

When January's policy meeting between Mr Kenneth Clarke, chief finance minister, and Mr Eddie George, governor of the Bank of England, the UK central bank, produced no rate increase, many analysts expected gilt prices to benefit, as other markets had. Instead, gilts have been outperformed by both US and European bond markets.

Political turmoil usually hurts gilt prices. Before the



"multiplexes", or blocks of digital frequencies.

The consortium, British Digital Broadcasting, is opposed by Digital Television Network, a company owned by International CableTel, the US cable and communications group which also owns NTL, the old transmitter and engineering arm of the Independent Broadcasting Authority.

Shares fell when it became clear that

there were serious bidders for the DTT licences. Nynex TeleComms, which is becoming part of Cable & Wireless Communications, lost more than 12 per cent of its value and fell 14½p to 99½p. Telewest fell 11p to 117½p and General Cable dropped 13p to 176p. By contrast Carlton rose 3½p to 558½p, Granada 1½p to 891 and BSkyB 8½p to 599p. BSkyB will launch 200 channels of digital satellite television this year and could now get an additional boost from its one-third ownership of BDB.

Carlton Communications, British Sky Broadcasting and the Granada Group submitted a consortium bid for

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Maharashtra : The Powerhouse of India's Industrialisation
Yesterday, Today and Tomorrow

AMI to open retail malls in Japan

By Gwen Robinson in Tokyo

American Malls International (AMI), the US developer of retail complexes, is moving into the Japanese market, with plans to invest billions of dollars in building and operating a series of American-style shopping malls.

AMI's move is the latest sign of a continuing shake-out in Japan's hitherto heavily regulated retail industry. It aims to exploit growing consumer demand for discounting and western retailing techniques.

AMI's first project will be

to build the country's largest shopping centre, at an estimated cost of about Y80bn (\$350m), said Mr Nick Woffington, AMI's representative in Japan.

The company, an affiliate of US developer Western Development, began studying the Japanese market three years ago. It is now nearing the end of negotiations to purchase about 800,000 sq m of land for a mall in the town of Moriya, about 35km from Tokyo.

Construction was budgeted at about Y20bn, Mr Woffington said. Infrastructure, including roads to the

complex, will require additional expenditure, he added.

The mall will be a combined entertainment and shopping complex, with at least 20 large stores, more than 200 speciality stores, an in-house theme park and cinemas. The targeted market is the northern half of Tokyo and neighbouring cities.

AMI hopes to start building late next year and to complete the project by 2000.

Negotiations are also well advanced to build a similar large-scale mall in the port city of Kohe, which has attracted many big construction projects after the earth-

quake two years ago. The company plans six other large-scale malls over the next 10 years, with at least two more in the vicinity of greater Tokyo.

AMI's move follows the arrival in Japan of US retailers Gap, the clothing company, and Toys R Us, the discount toy retailer. Several American cinema developers have also successfully set up multiple cinemas in secondary cities.

The Moriya and Kohe malls are AMI's first projects outside the US, where it owns and operates five large-scale malls. Two more are

under construction in the US, and the company plans to build a further 17 over the next 10 years.

Japan's large retailers have been hit by slumping sales in the past year, and face a sales tax rise in April from 3 per cent to 5 per cent.

AMI is not concerned. "Japanese consumers are great customers and spend a lot of money," Mr Woffington enthused. "They have a strong appetite for novelty, particularly American-style products and presentation, and we think our concept of a 'retail theme park' will work."

Elektrum to cut debt with placing

By Christopher Bobinski in Warsaw

Elektrum, a large Polish power and telecommunications producer, is to issue a 550m zloty (\$184m) seven-year convertible bond, the largest convertible bond issue from a Polish company to date.

The company has chosen Merrill Lynch International and the local Pekao banking group to place the bond both at home and abroad.

Two-thirds of the funds raised will go to reduce Elektrum's bank debts and cut financing costs, Mr Andrzej Skowronski, managing director, said yesterday.

Fourth-quarter volume sales rose 11 per cent, while revenues rose 3 per cent to \$1.5bn, and net profits 17 per cent to \$2.5bn. Earnings per share advanced 19 per cent.

Emerging markets saw large gains. In China volumes rose 10 per cent in the fourth quarter, and in east and central Europe volumes climbed 41 per cent. Coca-Cola also saw big increases in its domestic market, where fourth-quarter volumes rose 5 per cent. The company said that, among big brands, its Sprite lemonade was the fastest growing soft drink in the US last year.

Richard Tomkins, New York

Stronger sales lift Coca-Cola

Strong sales at home and overseas helped Coca-Cola, the US soft drink company, to an 18 per cent increase in net profits to \$763m in the fourth quarter. Earnings per share, boosted by the company's stock repurchase programme, rose 19 per cent to 31 cents, in line with analysts' forecasts.

In an upbeat statement, Mr Robert Goizueta, chairman and chief executive, said the company increased sales 8 per cent last year, by 1bn cases to 13.7bn cases. The increase, Mr Goizueta said, was greater than last year's sales in three of the company's top 10 markets combined: the UK, the Philippines and Argentina.

Fourth-quarter volume sales rose 11 per cent, while revenues rose 3 per cent to \$4.1bn. For the full year, revenues rose 3 per cent to \$18.5bn, and net profits 17 per cent to \$2.5bn. Earnings per share advanced 19 per cent.

Emerging markets saw large gains. In China volumes rose 10 per cent in the fourth quarter, and in east and central Europe volumes climbed 41 per cent. Coca-Cola also saw big increases in its domestic market, where fourth-quarter volumes rose 5 per cent. The company said that, among big brands, its Sprite lemonade was the fastest growing soft drink in the US last year.

Richard Tomkins, New York

Record fourth quarter for SAP

By Sarah Althaus in Frankfurt

ings per share rose from DM4 to DM5.48.

Mr Dietmar Hopp, chairman, said: "In the end we were bang on our original forecasts. The orders that we so badly missed in the third quarter could finally be booked in the fourth."

The shares, which had been under heavy pressure since the company issued a profit warning in October, closed DM24 up at DM24.6.

Many analysts had feared that the company, which is the world's fifth-largest software house, would not meet its revised target set in October of 30 per cent growth in profits, down from 40 per cent forecast early last year.

However, SAP said that "tempestuous" foreign growth in the fourth quarter had helped lift preliminary net profits 40 per cent from DM405m to DM567m (\$346m) for last year.

Sales climbed 38 per cent in the year, from DM2.7bn to DM3.7bn. This beat the group's forecast for a rise of just under 30 per cent. Earnings

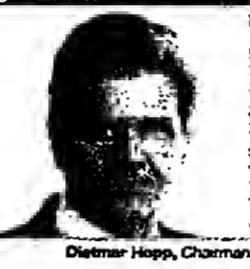
remained strong for R3, an

PROFILE

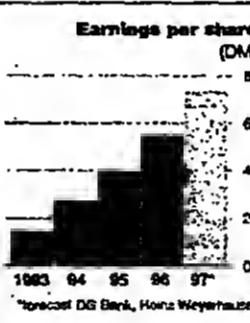
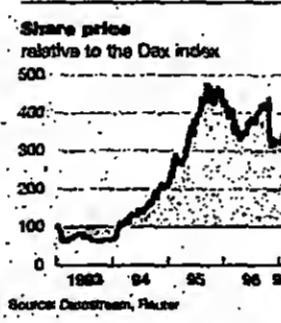
SAP

Market value: \$9.1bn Main listing: Frankfurt

Historic P/E 54.2
Gross yield (1995) 0.6%
Earnings per share DM6.48
Current share price DM24.25



Dietmar Hopp, Chairman



worldwide installations of the software to more than 9,000.

Total product sales rose 36 per cent to DM2.63bn. Consulting revenues were up 47 per cent and turnover from training increased 36 per cent from a year earlier.

Mr Peter Thilo Hasler, analyst at Verelshank Research, said: "Not only were the fourth-quarter results incredible, but the overall share of total sales coming from the product side is spectacular, at about 87 per cent. In the past it has boomed around 70 per cent."

Foreign sales contributed 75 per cent of total revenue, up from 69 per cent previously. The Asia-Pacific region registered the strongest growth, up 67 per cent at DM486m.

Mr Marc Rode, analyst at UBS in Frankfurt, said: "SAP's prospects look good. They've got a strong product range, and the financial muscle to invest in research and development. Any suggestion that they are going to lose their leading technological edge is ridiculous."

SAP has established a world leadership in R3 since it launched it in 1992. Last year it signed on 1,089 new R3 customers, bringing

Random to buy Reed fiction arm

By David Blackwell

George Orwell and Anton Chekhov are among the authors who will be sharing the same publisher as Joan Collins, following an agreement by Reed Elsevier to sell its fiction books division.

The prospective buyer is Random House, the powerful US book publisher that last year lost a court battle with the actress and author in an attempt to recover \$1.2m (\$740,000) of advances.

Reed Elsevier, the Anglo-Dutch publishing and information group, said yesterday it had agreed in principle to sell the adult trade division of Reed Books to the UK arm of Random House.

The division includes some of the most famous names in British publishing history including William Heinemann and Secker & Warburg.

Sales from the division are about \$20m and it is understood to be trading profitably. Analysts yesterday estimated the price at about the same level as sales.

Random House UK, which has annual sales of about \$100m, is an umbrella company for 20 independently

Photo-Me hit by strength of sterling

By Roger Taylor

The UK-based Photo-Me International, the world's largest manufacturer of photo booths, yesterday said the strength of sterling had reduced half-year profits by up to £900,000.

Pre-tax profits dropped 10 per cent to £3.1m on turnover down 11 per cent at £23.3m for the six months to October 31.

Mr Peter Berridge, group managing director, said currency movements had not affected trading.

Taking out the impact of sterling, turnover and operating profit were up 4.6 per cent.

However, the value of non-sterling credits had fallen by £200,000 and up to another £600,000 had been lost on translation of overseas earnings.

Photo-Me has more than 60 per cent of its business outside the UK.

The company confirmed that profits for the year to April 30 would be no higher than those for 1995, which were 22 per cent down on the year before.

The market remained flat, said Mr Berridge, and competitive pressures intense.

In spite of this, the company had maintained its market leading position and improved margins slightly, he added.

The company has responded to the sluggish market by cutting its investment and expansion plans and reducing debt. Capital expenditure has been cut by 42 per cent to £10.1m.

The additional cash has been used to cut debt to £21.1m from £23.2m at the end of April. Gearing fell from 46 per cent to 38 per cent over the period.

Earnings per share fell to 7.45p (8.04p) but the interim dividend is maintained at 1.5p.

The results were in line with analysts' expectations and the shares ended the day unchanged at 127.4p.

COMMENT

In cutting back its capital expenditure programme, Photo-Me has accepted that it is now a low-growth cash-generating business. The decline in margins and profits may now be coming to an end, but there is little prospect of growth. Profits for the April year-end are forecast at £11.3m, giving earnings per share of 8.5p and putting the stock on a forward p/e of 15. This looks expensive.



Raised bats, raised profits: Michael Mitchell, chief executive (foreground), with Ken Oust, finance director

Mature customer focus lifts Beale

By Joen Gray

Continued focus on the "more affluent and mature customer" helped Beale, the UK department store group, continue its growth record with a 25 per cent increase in underlying full-year pre-tax profits to £4m.

Including an exceptional gain from rate rebates, the pre-tax figure for the year to November 2 came out at £4.47m, against £2.85m when there was a £33.000 exceptional charge for flotation expenses. Turnover was ahead at £55.5m (£46.3m), including £4.8m from acquisitions.

Mr Michael Mitchell, chief

executive, attributed the continued growth to the company being "focused on our particular customer group, the ABC1 40-plus market. The spending power of this sector has stayed up and we concentrate on them rather than trying to be all things to all people".

The group, which operates seven stores in England, was looking for further acquisitions, he said, particularly "old-established department stores in middle England where we can retain their appeal and run them effectively".

The proposed final dividend of 5.75p (4.5p) makes a total of 8.3p (6.7p).

Expanding Fitness First in triple jump

By Jean Marshall

A new club was opened in Southend, Essex, in January and Mr Pearce said the company planned to open two more this month in Derby and Shrewsbury.

Both were expected to be completed in line with budget.

He said that income from the £2m, before expenses, raised at flotation would benefit the 1997 results, while the impact of the capital investment programme would be more fully reflected in 1998-99.

Mr Christopher Pearce, chairman, said the strong growth in the health and fitness industry had continued into 1997. FF operates seven clubs and plans to have more than 20 in the next three years, with six to eight opening each year.

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FT Surveys

Emerging markets saw large gains. In China volumes rose 10 per cent in the fourth quarter, and in east and central Europe volumes climbed 41 per cent. Coca-Cola also saw big increases in its domestic market, where fourth-quarter volumes rose 5 per cent. The company said that, among big brands, its Sprite lemonade was the fastest growing soft drink in the US last year.

Strong sales at home and overseas helped Coca-Cola, the US soft drink company, to an 18 per cent increase in net profits to \$763m in the fourth quarter. Earnings per share, boosted by the company's stock repurchase programme, rose 1

COMPANIES AND FINANCE: UK AND IRELAND

Wm Cook advisers complain to Panel

By Richard Wolfe and William Lewis

Advisers to William Cook have made a complaint to the Takeover Panel relating to a request that the Department of Trade and Industry investigate it.

The request centres on apparent discrepancies between a document passed to Triplex Lloyd, the rival castings group staging a £7.8m hos-

tile bid for Cook. Linklaters, lawyers to Cook, are examining whether the request to the DTI represents a breach of confidentiality agreements. NatWest, Cook's advisers, refused to comment.

The row comes as it is attempting to beat Triplex's bid with a higher offer based around a £7.5m management buy-out.

Triplex is examining whether to raise its offer or

month earlier. The DTI yesterday refused to comment.

Mr Andrew Cook, chairman and chief executive of William Cook, denies any inconsistency in his statements to shareholders.

The row comes as it is attempting to beat Triplex's bid with a higher offer based around a £7.5m management buy-out.

Triplex is examining whether to raise its offer or

walk away from the bid. Schroders, advisers to Triplex, refused to deny involvement with any request to the DTI to investigate William Cook.

Mr Cook yesterday received strong support from the backers of his management buy-out bid. Electric Fleming, the venture capital group which is taking a 75.5 per cent stake in the buy-out company, said the allegations made it "even more determined" to go ahead.

Mr Tim Syder, director of Electric Fleming, said: "We are aware of these allegations and do not give them any credence. We have researched and investigated them and the result is that we are 100 per cent supportive of Andrew Cook.

"We recognise that he is not a shining example on corporate governance but we

have addressed that for the future by reducing his salary and length of service contract, and appointing non-executive directors.

"We regard the allegations as a smear campaign and suspect that they were written by a disgruntled former employee. This is an attempt to destabilise our bid and drive a wedge between the management and the financial backers."

Bidding war looming at life mutual

By Christopher Brown-Humes

A bidding war for Scottish Amicable loomed yesterday after it emerged that the mutual life insurer had received initial approaches from more than half a dozen potential predators.

They include life insurers, building societies and foreign groups.

The frenzied activity was triggered by news that Abbey National, the UK's fifth largest bank, has offered between £1.1bn and £1.4bn for Scottish Amicable. If successful, this would symmetrize the latter's plans to shed its mutual status ahead of a £1bn-£1.5bn flotation in three to five years.

SBC Warburg, adviser to Scottish Amicable, said: "All of the people who made tentative approaches to us over the last year have reappeared today." But Scottish Amicable stressed: "The only firm proposals we have on the table are our own" and insisted the it would not enter serious negotiations until the proposals had been mailed to its 1.1m policyholders in 10 days' time. It continued to reject Abbey's terms.

Commentators said Prudential, Halifax, Commercial Union and National Westminster Bank - which last year lost to Halifax in the bidding for Clerical Medical - were almost certain to be among the interested parties. Foreign companies, including Aegon and Fortis in the Netherlands, and Allianz in Germany, as well as other UK groups such as Wcolwich

and General Accident, were also mentioned.

It is believed Prudential approached Scottish Amicable before its plans to demutualise were unveiled two weeks ago, but was rebuffed.

Asked if he was still a potential purchaser, Sir Peter Davis, Prudential chief executive, said yesterday the company was "watching the situation with interest".

Abbey said it would offer at least £400m to Scottish Amicable's policyholders in shares or cash and between £700m and £800m for the embedded value of the with-profits fund. It means policyholders would get an average pay-out of about £263.

Scottish Amicable is offering policyholders between £275m - £75m initially and £200m on flotation - and £400m and it put the embedded value of its with-profits fund at least £1bn.

Mr Peter Birch, Abbey chief executive, said: "I believe our offer is at least five times better than theirs in terms of immediate benefits. They are offering £75m while we are offering £400m."

"In addition, we are offering cash or shares, while they are offering policy bonuses well into the future."

Abbey said a combination of its Scottish Mutual subsidiary and Scottish Amicable would create one of the UK's top 10 life insurers with £22bn of funds under management and a much stronger market share.

The City welcomed the move, pushing Abbey's shares 15% higher to 784p. See Lex

Abbey opens the floodgates

Scottish Amicable's own plans put it in the spotlight, writes Christopher Brown-Humes

Given the barrage of adverse publicity which Scottish Amicable's demutualisation plans have attracted in the last two weeks, it was perhaps only a matter of time before a bidder appeared on the scene.

But Abbey National's offer for the mutual seems to have opened the floodgates. An auction looks increasingly likely, seriously jeopardising the group's hopes of retaining its independence before flotation.

Scottish Amicable's proposals have been attacked as too complex, and for offering meagre returns to policyholders. An incentive scheme under which 13 managers could share up to £14m has also been criticised for being too generous.

Abbey's assault - although rebuffed - should not be underestimated. It is a financially strong group with a proven track record in life insurance.

Its purchase of the National & Provincial building society last year - when it appealed over management awards directly to members - shows it can be determined.

In that instance, it won the prize despite strong competition from rival bidders.

As with other groups in the fast-consolidating life sector, Abbey is seeking greater market share and economies of scale in one of the most rapidly growing areas of its business.

It can only have been emboldened by developments at Scottish Mutual since it acquired the life

insurer in 1992. The Glasgow-based company has tripled new business since then, doubled staff numbers to 1,350 and reduced its cost ratio. But Scottish Mutual has only given the group £28m of funds under management - "too small" according to Mr Peter Birch, the Abbey chief executive - and only a 3-4 per cent share of the independent financial advice market.

Buying Scottish Amicable and combining it with Scottish Mutual would increase funds under management to £22bn and increase their combined IFA market share to about 10 per cent. This would provide considerable economies of scale.

Moreover, Abbey says a bank would provide cost savings - but through natural staff wastage rather than enforced redundancies. Indeed, Abbey has said it

will retain 1,300 staff at Scottish Amicable's Stirling headquarters.

It has also pledged that all Scottish Amicable's directors - executive and non-executive alike - will be offered a place on a combined board.

The overlaps are in Glasgow where both Scottish Amicable and Scottish Mutual have offices. While the Scottish Amicable brand name is to be retained, the future of the Scottish Mutual name is much less certain.

"This is an opportunity for us to bring together two long-established and highly respected Scottish institutions under one name," said Mr Birch.

Scottish Amicable, however, remains unpersuaded by the merits of an acquisition by a third party, saying policyholders will be short-changed if they

sell out now. It believes the long-term savings market is entering a growth phase and policyholders will get better returns by backing its proposals, particularly when its life fund is being strengthened.

But the option of going it alone becomes less credible the more outside interest the group continues to excite. It could continue to insist it is not for sale, as it did throughout last year. Equally it might try to fall back on a white knight, such as Swiss Re, the insurer which is injecting capital into its life fund under its own scheme.

The group has clearly been surprised by the criticism its plans have attracted. Had it anticipated the disquiet, it might have proceeded with an auction before it drew them up, rather than finding itself being pushed towards one now.

NEWS DIGEST

Citigate placing to raise £8.3m

Citigate Communications Group, which announced in December that it was coming to the market via the reverse takeover of Incepta, is to raise £8.3m through a placing.

The public relations and advertising group will place 41.6m shares at 20p, raising £8.3m for the company and 55.3m for some of Citigate's 180 shareholders. Shares in Incepta, the media service group, were suspended on December 4 at 214p.

Citigate was formed in 1988 around a nucleus of people who broke away from Streets Financial, the public relations and advertising company that dated back to 1980 but went into receivership in 1992. It has developed into a diversified group, including contract publishing and advertising, and has 350 employees spread between the UK, the US, South Africa and south-east Asia.

The placing, underwritten by Besson Gregory, comprises 26.6m of the consideration shares and 15m new ordinary shares. Citigate is receiving as consideration for the takeover 88m shares in Incepta, which had 66m shares in issue. Incepta is issuing 216.1 shares for each Citigate share. Mr David Wright, who is one of the founders of Citigate, has a 10 per cent holding, will initially have about 5 per cent of the new group.

If Citigate - which made pre-tax profits of £2.15m in the year to September 30 - makes more than £3m profits this year, Incepta will pay a deferred consideration of 45m shares, worth £5m at the placing price. This would lift the stake in the new group held by Citigate shareholders from 36 per cent to more than 49 per cent of the capital.

At the placing price the enlarged group would have a market value of £38.9m, rising to £42.9m if the deferred consideration is paid. It would have turnover of more than £90m. The proposed deal is subject to an extraordinary meeting of Incepta on February 27. The shares are due to be relisted in March.

David Blackwell

SR Gent shifts directors

The two main shareholders in SR Gent - the garment manufacturer that in October said it had received "preliminary approaches" that could lead to a takeover - are stepping down from their executive posts.

Mr Peter Wolff and Mr Peter Wetzel, who together control 62 per cent of the shares, will become non-executive president and deputy chairman respectively from March 1. The group yesterday said this would "help avoid any conflict of interest between their current positions as both executive directors and majority shareholders".

The statement repeated the October announcement that the company had received preliminary approaches from several parties that "may or may not" result in an offer being made. "These approaches are being considered by the board and a further announcement will be made when appropriate." At least two companies are believed to be interested in Gent, which makes women's and children's wear for Marks & Spencer, They are Claremont Garments, another M&S clothing supplier, and Texmaco, based in Jakarta, Indonesia.

Gent shareholders are believed to be seeking a substantial premium to the market valuation because of the group's annual sales to M&S of about £150m. Yesterday the shares, which fell to 35.4p earlier this month, closed down 2p at 37.4p, giving the group a market capitalisation of about £21m.

Yesterday's statement said the group's day-to-day management would remain with Mr Michael Stakol, chief executive. An independent non-executive chairman would be appointed "in due course".

In December, the group reported higher than expected pre-tax losses of £11.1m for the year to June. The results announcement had been delayed from September because of negotiations with bankers. Yesterday's statement said formal documentation of new banking facilities had been successfully completed.

David Blackwell

Investor backs Clyde

Clyde Petroleum's management received a vote of confidence from its largest shareholder yesterday as Gulf Canada Resources prepared to spend the weekend deciding whether to increase its £422m hostile takeover offer.

Mr Jim Cox, a director of Schroder Investment Management, which holds almost 20 per cent of the UK oil independent, said: "The board of Clyde has behaved well and has run the company profitably. It has done nothing that shareholders could complain about." He made no further comment about the bid, however. Just four institutional investors hold more than half of Clyde.

Gulf has until Tuesday to change its 10.4p a share cash offer. Analysts expect the Canadian oil and gas group to increase its offer by up to 12.5p a share, with the most likely price 12.0p.

Mr Roy Franklin, Clyde's managing director, issued a statement yesterday in which he criticised Gulf's "horribly predictable attempt to talk down Clyde's price" during the week. The company's shares edged down in the week to close at 11.8p.

Jane Martinson

BWG wins Appleby W'ward

Appleby Westward, the UK food distributor, yesterday said it had accepted a takeover offer from BWG (ND), the offer of 17.1p a share values Appleby at £25.1m, a premium of 33 per cent to the relevant middle market quote yesterday. The shares rose 38.4p to 167.4p yesterday.

BWG said directors, their families and associated trusts had accepted the offer in respect of 4.2m shares, representing 76 per cent of the company. The suitor is part of the BWG Group, which operates the Spar franchise in the Irish Republic. Its ultimate parent is Pernod Ricard.

Ap'd Distribution approached

Ap'd Distribution, the warehousing and distribution company that issued a profits warning in November, yesterday said it had received "a number of preliminary approaches" that "may or may not lead to an offer being made for the company". It added that the "initial indicative" offers received were below yesterday's closing price of 62p, up 15.4p.

Formal sales ahead

Formal Group, the clothing company, said yesterday sales at Blakes Menswear were 20 per cent ahead on a like-for-like basis, and 40 per cent on an absolute basis since its acquisition in July. In the first three weeks of January like-for-like sales were up 48 per cent and 67 per cent on an absolute basis. Cupid bridalwear was ahead of budget, but its Youngs and Langside subsidiaries were flat. The shares rose 9.4p to 50.4p yesterday.

Grosvenor denies approach

Grosvenor Inns, the pub operator which includes the Slug and Lettuce chain, denied yesterday that it had received any approaches which might lead to an offer for the company, despite the strong recent rise in its share price. The shares rose from 168.4p on Monday to 222.4p on Thursday, before falling back to 216.4p yesterday.

Dyson more than doubled

J & J Dyson, the Sheffield-based ceramics group, yesterday reported interim pre-tax profits more than doubled from £815,000 to £1.85m, and said the second half had remained buoyant. Turnover rose 14 per cent to £22.6m in the six months to September 30. Contrary to expectations, demand from UK integrated steel plants had remained

Brockhampton to lift pay-out after buy-back

By Roger Taylor

Brockhampton, the water company that supplies Hampshire and West Sussex, has paid £5.8m to buy back 15 per cent of its shares from the pension fund of its Portsmouth Water Company offshoot, which sold 8.1m non-voting shares at 74p each.

Mr John Batty, managing director of Brockhampton, is also secretary and trustee of the pension fund.

Berkeley raises £34m via placing

By Martin Brice

Berkeley Group, the housebuilder that raised £75m a year ago, yesterday

Premier moves to repair damage

By Motoko Rich

Premier Farnell, the electronics components distributor whose shares were battered by a profits warning earlier this week, is attempting to patch up its fractured relationship with BZW, its broker.

After attempting to shift the blame for the warning on to BZW, Mr Howard Poulson, chief executive, met with corporate finance executives and analysts from BZW yesterday morning.

Last night he said: "BZW and Premier Farnell are working hard to talk to shareholders and

restore confidence." BZW said it would "work closely" with Premier Farnell next week in a series of institutional meetings to explain the company's trading position.

However, it is thought their relationship could still be severed if next week's talks do not go well. Following the meeting with BZW Mr Poulson held wall-to-wall meetings with analysts and investors. He had cut short a business trip to California in order to stem the damage wrought by the warning, which came out two minutes before the London market closed on Wednesday and Thursday.

The market was upset by the late timing of the statement on Wednesday as well as the fact that the warning came less than a year after the group's controversial \$2.8bn (£1.72bn) takeover of Premier Industrial Corporation, a company twice the size of Farnell's.

Several shareholders, including Standard Life and Legal & General, opposed the terms of the deal at the time and analysts this week were questioning its wisdom in the light of the warning.

Analysts have downgraded pre-exceptional pre-tax profit estimates from £147m to £137m.

It says the company should have "substantial" profits of £21m next year. That distinguishes it from the biotechnology companies

developing new drugs - which must complete many years of clinical trials - rather than medical devices.

Growth thereafter will be so fast that annual pre-tax profits in four years' time should "certainly exceed £200m", says Merrill.

Merrill has an "intermediate share price objective" of 61.5p.

Its report comes just two weeks after a recommendation by Dresdner Kleinwort Benson, which gave the shares a current fair valuation of 15.4p and an end-1997 target of 19.8p.

Bio compatibles is not immune from competition. It has a licensing arrangement with Johnson & Johnson, but the US company is developing stents coated with blood thinning drugs and may yet prove to be a powerful rival, as well as partner.

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Gold price tumbles to 3½-year low

By Susanna Voyle

Gold fell to its lowest level for three-and-a-half years yesterday - with dealers saying the market was hit by

speculation of fresh sales by central banks. Bullion was fixed at \$345.50 a troy ounce, "The market is as active as that," he said. "You have to believe that it will become less active... the excitement on the upside last year didn't last so long, and I would imagine that it would be the same here."

Reaction to the fall in gold among other precious metals was also mixed. Platinum suffered, finishing at \$348.75, down \$3. However, silver and palladium took an independent path, silver closing up two cents at \$4.91 and palladium up \$2.25 at \$123.50.

On the London Metal Exchange yesterday zinc for three-month delivery reached a two-year high of \$1,174 a tonne but fell back a little to close at \$1,172.50. Traders said the price - along with that of nickel - had been pushed up by investment funds which poured money into the market.

LME zinc stocks fell by 1,450 tonnes, while the market had been expecting a modest increase. Nickel reached its highest level for four-and-a-half months after a solid 894-tonnes stock draw. The price for three-month delivery closed at \$7,585, down from a peak of \$7,640 after some profit taking. The price was \$290 up on Thursday's close.

He said he also expected to see some more gold sales from central banks within nine to 11 months, and that it was difficult to make out a bull scenario for gold. "The bear market is well and truly intact," he added.

Mr Andy Smith, precious metals analyst with UBS, played down the idea of central bank selling. "There is a lot of finger

pointing, but [central banks] are defenceless; they are not in the denial business," he said. Instead, he suggested that this week's falls came in the aftermath of the expiry of options on Wednesday. "This is a market that is in technical territory driven by the options," he said.

Mr Smith suggested that next week the market might see a fall in volatility. He said volatility was as high as it had been this time last year - when rally peaked at \$417 a troy ounce. "The market is as active as that," he said. "You have to believe that it will become less active... the excitement on the upside last year didn't last so long, and I would imagine that it would be the same here."

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BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINUM, 99.7 PURITY (\$ per tonne)

Cash 1697.98 1622.23
Previous 1584.5-255.1 1603-10
High/low 1592/1591 1625/1613
AM Official 1591-15.1 1616-17
Kerb close 1626/2666 1623.5-24
Open int. 248.44/1 1623.5-24
Total daily turnover 57,452

■ ALUMINUM ALLOY (\$ per tonne)

Cash 1505-15 1525-26
Previous 1500-05 1520-21
High/low 1503/1502 1524-25
AM Official 1505-10 1524-25
Kerb close 1505-10 1525-27
Open int. 5,121 1,185

■ LEAD (\$ per tonne)

Cash 656-61 670-72
Previous 656-57 668-67
High/low 656/61 670-72
AM Official 654-65 672-3
Kerb close 656-60 672-3
Open int. 36,640 6,141

■ NICKEL (\$ per tonne)

Cash 7480-80 7580-85
Previous 7190-200 7290-200
High/low 7435/7430 760/7230
AM Official 7428-30 7580-85
Kerb close 7428-30 7580-85
Open int. 48,125 18,312

■ ZINC (\$ per tonne)

Cash 5905-59 5985-70
Previous 5700-10 5755-70
High/low 5905/5920 5985-70
AM Official 5905-59 5985-70
Kerb close 5905-59 5985-70
Open int. 59,005 5,789

■ COPPER, grade A (\$ per tonne)

Cash 1151-52 1172-73
Previous 1102-03 1125-26
High/low 1140-5 1175/1132
AM Official 1140-41 1162-62
Kerb close 1168-05 1188-05
Open int. 29,926 28,826

■ COPPER, grade A5 (\$ per tonne)

Cash 2295-400 2175-77
Previous 2349-54 2295-400
High/low 2338-54 2188/2140
AM Official 2302-34 2183-64
Kerb close 2194-65 2184-65
Open int. 151,957 68,874

■ LME OFFICIAL 2/5 rates: 1.5037

LME Cashier 2/5 rates: 1.6229

Spot 1.5232 3 rates: 1.5900 5 rates: 1.5940

■ HIGH GRADE COPPER (COMEX)

Cash 5905-59 5985-70
Previous 5700-10 5755-70
High/low 5905/5920 5985-70
AM Official 5905-59 5985-70
Kerb close 5905-59 5985-70
Open int. 59,005 5,789

■ GOLD (LPI)

Cash 100.95-129.70 103.00-103.00
Previous 103.75-126.90 103.00-103.00
High/low 101.05-105.05 101.00-103.00
AM Official 100.95-129.70 103.00-103.00
Kerb close 100.95-129.70 103.00-103.00
Open int. 12,955 50,465

■ PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (troy oz) 5 prices £ equiv. \$/t oz/oz
Close 840.00-344.00 215.40-145.40 334.15-115.15
Opening 840.00-344.00 215.40-145.40 334.15-115.15
Morning fix 345.00 215.00 471.474Day's High 364.00-348.00
Day's Low 340.80-344.20

Previous close 347.00-347.30

Kerb close 348.00-349.00

Open int. 151,957 68,874

■ GOLD (LPI)

Cash 100.95-129.70 103.00-103.00
Previous 103.75-126.90 103.00-103.00
High/low 101.05-105.05 101.00-103.00
AM Official 100.95-129.70 103.00-103.00
Kerb close 100.95-129.70 103.00-103.00
Open int. 12,955 50,465

■ PRECIOUS METALS

LONDON SPOT MARKETS

(Prices supplied by N M Rothschild)

Gold per troy oz: £844.15 \$8.70
Silver per troy oz: £415.40 \$415.40
Aluminum 57.50 \$5.07
Copper Green R (a/cast) 1597.5 \$176.5
Copper Green B (a/cast) 2927.5 \$176.5
Lead (cast) 980.0 \$25.75
Nickel (cast) 7485 \$22.75
Zinc SH (cast) 7195 \$22.75
Zinc SH (cash) 7195 \$22.75
Copper Futures Mar 15150 \$151.50
Copper Futures Jan 15150 \$151.50
Copper Futures Jun 15150 \$151.50
Copper Futures Sep 15150 \$151.50
Copper Futures Dec 15150 \$151.50
Nickel 894 \$14.71B
Nickel 1450 \$10.45B
Nickel 10 10,450 \$10.45B

WEEKLY PRICE CHANGES

Latest price Change Year
per week Year
High LowGold per troy oz: £844.15 \$8.70
Silver per troy oz: £415.40 \$415.40
Aluminum 57.50 \$5.07
Copper Green R (a/cast) 1597.5 \$176.5
Copper Green B (a/cast) 2927.5 \$176.5
Lead (cast) 980.0 \$25.75
Nickel (cast) 7485 \$22.75
Zinc SH (cast) 7195 \$22.75
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Copper Futures Mar 15150 \$151.50
Copper Futures Jan 15150 \$151.50
Copper Futures Jun 15150 \$151.50
Copper Futures Sep 15150 \$151.50
Copper Futures Dec 15150 \$151.50
Nickel 894 \$14.71B
Nickel 1450 \$10.45B
Nickel 10 10,450 \$10.45B

Per tonne unless otherwise stated. p/Per cent. c/Cents b. x Mar.

LME WAREHOUSE STOCKS (At Thursday's close)

Aluminum -10,700 to 945,015
Aluminum alloy -180 to 74,300
Copper +26,100 to 191,750
Lead -1,725 to 112,000
Nickel -894 to 14,71B
Zinc 1450 to 10,450

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Mile
are fuelling
John Gapper

There is a paradox about Katharine Graham, celebrated publisher of the *Washington Post*. She inspires awe in everybody she meets yet confesses, in her absorbing and painfully honest biography, that she is conscious of her shortcomings and insecurity.

The book's publication has certainly started the reminiscences flowing. In *New Yorker* magazine, David Remnick, former Moscow correspondent for the Post, writes that he thought his career was over after he nearly got his boss mauled by a circus big cat in what was then Leningrad.

In *Vanity Fair*, Sally Quinn, whose own profiles for the newspaper's Style section inspired fear in their subjects, tells of quaking in her shoes as part of a delegation that dared ask Mrs Graham to boycott an all-male establishment dinner. Ms Quinn later married Ben Bradlee, the Post's great former editor and Mrs Graham's alter ego, and trembles no more.

I never worked for the Post, but I know what they mean. Once, in Tokyo, I introduced her at a lunch with some mock-biblical verses taken from St John - not the Divine but Mitchell, President Nixon's attorney general - using his threat to put parts of her body

through a mangle if the Post did not back off in its Watergate coverage. Half way through I caught a glimpse of that unblinking patrician face and wondered if I would be sent down for lese majesty.

But this is not how Katharine Graham sees herself. Her story is of a daughter of the privileged establishment, brought up more by servants than parents, going to the best schools but never seriously allowing herself to think in terms of a career - either as a journalist, which appealed to her, or as a businesswoman.

She was never as close to her father, the financier Eugene Meyer, as both would have liked. He bought the struggling, inconsequential Post in the 1930s and later briefly became first president of the World Bank. The relationship with her dominating and eccentric mother, Agnes, was difficult.

It was Phil Graham, her husband, to whom she was totally in thrall. His brilliant personality and record as publisher of the reviving

Post - for which he acquired Newsweek for a song - and as confidant of politicians and presidents, left her essentially a mother and rich housewife, trailing mostly happily in his glorious wake.

"I literally believed," she writes, "that he had created me, that I was totally dependent on him."

She became truly aware of the extent of his manic depression only late in their relationship, and did not know how to handle it. She had friends to turn to - President Kennedy once sent a government plane to bring Phil Graham back from Arizona after one bad public breakdown - but found it hard to imagine life without him, even when he left her for another woman.

She was in an upstairs room when he committed suicide - with a shotgun - at their Virginia farm in 1963, having wheedled a weekend off from his psychiatric clinic. The rest is in the public domain. The daughter of Eugene Meyer decided "however hesitantly" to keep the

Post "for the children" - not as a figurehead, but "by going back to work" in the fullest sense. That meant fending off takeover offers from CBS, *Times Mirror*, "even from Roy Thomson".

"Little did they realise that, having lived through the rebirth of the paper from its bankrupt McLean days, having stood by my father and my husband as they built it up with such zeal and devotion, I would never sell. It was unthinkable for me." Scarlett O'Hara, wowing never to go hungry again, knew the feeling.

Of course, she needed help and it came from predictable and unexpected quarters, mostly male. Ben Bradlee, already a star with Newsweek, was the acquisition that made the difference to the editorial side. This was never more so than in the Pentagon Papers case of 1971 - which at least got the Post mentioned in the same breath as the *New York Times* - and then in the Watergate saga, when it surpassed its benchmark rival, Warren Buffett was

unknown to her when he bought 10 per cent of the company's non-family B shares in 1973 (it had gone public two years earlier). Within a year she invited him on the board of directors with Dow Graham, her eldest son and now publisher. Ever since, Buffet has been the ultimate financial eminence gris.

She also wanted, and received, friendship. "As Warren was driving me to Los Angeles airport [in 1974] I told him something very important to me. I said I wanted to tell him if he told me gently, but that I didn't respond well to sharp rebukes, which made me curl up in angry retreat... I need not have worried, he understood me totally by then."

In a 600-page memoir, Mrs Graham speaks unkindly only of those who traduced her - led by her husband's psychiatrist and the print union leaders she battled to defeat in 1974-75. (She reveals no generalised employer animus towards

organised labour. Perhaps this is because as a young reporting intern she got to know - and go drinking with - the toughest nuts in the San Francisco longshoremen's union, including the radical Harry Bridges.) *Dislike* is not even displayed towards Robin Webb, Phil Graham's lover. "She must be a decent person."

Her friends are legion, though hardly ordinary. They bear names such as Kennedy, Johnson, Reagan, McNamara, Bundy, Nitze, Reston, Ailes and countless more pillars of the Washington establishment. They include the international great and good (Jean Monnet and Isolde Berlin) and the infamous (Donald Maclean, the British spy for Moscow). Her book is thus also a contemporary history, filled with delicious asides. Of Monnet she writes disarmingly: "I can testify to his virility."

She comes over as a woman, but an almost reluctant feminist; as mostly liberal, though non-doctrinaire; and as tough only when she is never to be. She is, after all, a lady of pedigree.

Personal History, Katharine Graham, Knopf, \$29.95. Available from FT Bookshop by ringing FreeCall 0800 500 635 (UK) or +44 181 324 5511 (outside the UK).



Raymond Snoddy on enthusiasm for digital terrestrial television

Channel-surfing charter

Until a few days ago there was a widespread belief that digital terrestrial television was one broadcasting service too many to inflict on the British public.

British Sky Broadcasting, the satellite television venture, plans to launch up to 200 channels of digital satellite television in the UK before the end of this year. And the cable companies have invested about £2bn in high capacity networks for Britain's urban areas with plans to go digital - complete with interactive services such as home shopping, home banking and access to the Internet.

In an age of 200 channels, there seemed to be limited attractions in the 30 or so digital terrestrial channels that could be broadcast from traditional land-based transmitters. Viewers were unlikely to be interested in buying a set-top decoder for digital terrestrial television rather than hooking up to satellite or cable.

But a small number of television executives were excited by the prospect - and yesterday they submitted their application for digital terrestrial television franchises that will offer much more than a second-class service. They included two of the most powerful figures in British television: Mr Michael Green, founder and chairman of Carlton Communications, the largest ITV company, and Mr Sam Chisholm, chief executive of BSkyB.

"In five or 10 years the majority of the population will receive their television in this way," Mr Green said yesterday, after submitting his consortium's application to the Independent Television Commission, the commercial regulator.

Digital terrestrial television will offer the viewer interference-free and possibly wide-screen pictures which can be received with ordinary aerials and without the need for satellite dishes.

The existing broadcasters such as the BBC, ITV, Channel 4, the Welsh Fourth

What's on offer?

British Digital Broadcasting
• Sky 1 (family entertainment)
• Sky Movies (films)
• Sky Sports (sport)
• BBC One TV (pop music)
• BBC Horizon (nature, science, history)
• BBC Showcase/BBC Style (best of BBC1 and BBC2, with food, fashion)

• Carlton Select (drama, special events)

• Carlton Films (films)

• Carlton Entertainment (popular entertainment)

• Granada Plus (entertainment)

• Granada Good Life (lifestyle)

• Granada TV Shopping (teleshopping)

• Granada Sports Club (football, music)

• Public Eye (law and order)

• The Movie Channel (films)

Digital Television Network
• The Money Channel (business, consumer advice)
• The Knowledge Channel (includes Campus)
• The British Sports Channel (sport)
• Metro TV (includes Neighbourhood TV)
• Travel (includes The Holiday Hotline)
• The National (personal pages, news)
• Shopping Square (teleshopping, banking)
• Animal Planet (specialist)
• The ITN Living History Channel (specialist)
• The Box (specialist)
• Turner Classic Movies
• MGM Gold
• Carlton Network
• The Movie Experience

Source: the consortium

Channel and the soon-to-be-launched Channel 5 all have been guaranteed digital terrestrial capacity... The licences for the new consortium is bidding for are the three commercial multiplexes, or blocks of frequencies, capable of broadcasting up to 30 or more channels.

It is likely that before digital terrestrial television is launched in the middle of next year all the broadcasters involved will work together to ensure that a single set-top box to receive their broadcasts. The set-top decoders are likely to cost about £400 at retail at the outset but launch subsidies from the consortium could bring this down - closer to £200.

Dixons, the consumer electronics chain, believes the electronics can be quickly integrated into television sets which would sell at about £500 more than conventional sets. Plug-in modules which could allow these boxes to receive digital satellite services could cost as little as £50.

The result is British Digital Broadcasting, a powerful integrated operating and programming company which can call on channels already created by consortium members. The consortium, which expects its investment to be no more than £300m, also has first option to broadcast the new television channels being created by a planned joint venture between the BBC and Flexitech, the cable and satellite channel company.

The consortium chaired by Mr Green is challenged for the three main multiplexes by Digital Television Network, a company wholly owned by International CableTel. It plans a range of

£12.30 a month. Since local telephone calls are free on US home phone lines, PC owners were remaining linked to the Internet for hours, or even days.

With circuits jammed, many AOL subscribers have found it impossible to get online. They have faced constant busy signals, earning AOL the unfortunate new title of "America Offline".

AOL has been lambasted by prosecutors from all over the US who threatened to file consumer fraud charges against it for selling services it could not deliver. But the company's offer of refunds appears to have quelled complaints - at least for the moment.

America Online, the world's largest online service with some 30 million subscribers, is taking the brunt of it. Last week the company agreed to offer refunds to disgruntled US customers. AOL has seen use of its services soar over the past two months since it introduced a flat-rate pricing scheme of \$19.95

able from hundreds of US Internet service providers.

Many PC owners working from home are installing second telephone lines for Internet use. Last year, for example, Pacific Bell installed a record 700,000 phone lines in California, more than double the 1994 number.

But this has led to a huge increase in telephone traffic. In October, Pacific Bell warned that rising Internet use was clogging its networks in Silicon Valley. Internet use in California amounted to over 15bn minutes of phone time last year, nearly a quarter of total residential Internet usage, the company said.

"The explosion of the Internet is flooding our networks," says Mr Michael Fitzpatrick, chief executive of Pacific Telesis, Pacific Bell's parent company. He predicts a "data tsunami", a tidal wave of Internet calls in the next 18 months.

No Albanian has struggled harder to end his country's poverty-stricken isolation than Mr Kristaq Luniku, the 34-year-old former bank employee who is governor of the Bank of Albania.

Exiled from Tirana under the Stalinist regime of Enver Hoxha because of family connections in the US, he learnt monetary policy and foreign languages from books while working at a state bank in Albania's northern mountains.

But Mr Luniku faces the possible destruction of his efforts to build the country's financial system from scratch. This week, armed soldiers had to protect the Bank of Albania after riots triggered by the collapse of several pyramid finance schemes. Pyramid financing promises excessive returns on depositors' money - a promise that can be fulfilled only as long as the inflow of funds continues.

"It work like a dog for years, and now this happens. It is blood running into the sand," says Mr Luniku.

Albania suffered a worse repression than any country in former communist east Europe. Fought over for centuries, it emerged chaotically into the modern world in 1991 with few of the institutions a western state takes for granted.

Despite this, by 1995 Albania was the International Monetary Fund's model pupil, with inflation down to 6 per cent and economic growth outstripping the rest of former communist east Europe. But the rapid growth of the pyramid schemes and their subsequent collapse show how precarious Albania's progress has been over the past six years.

Vefia Holding, Albania's biggest private sector company, is widely regarded by western financial observers as being at the centre of the pyramid schemes. Mr Vebbi Alimualci, its founder, is a paunchy 47-year-old who used to be a soldier in Hoxha's army. He drives an S-class Mercedes and has a villa in central Tirana that doubles as his headquarters.

Whoever wins the battle of the multiplexes it is certain that the British viewers are going to be woosed as never before to join the digital multi-channel revolution whether via cable, digital satellite or digital terrestrial

Perched precariously

Kevin Done and Kerin Hope on the damaging collapse of Albania's pyramid schemes



Facing critics: Sali Berisha waves to supporters in Tirana

copters and supermarkets. Cracking his knuckles behind the desk in his lavish office, he talks of opening a private bank, even though his application for a licence was rejected last year.

"We too have used this operation of borrowing from citizens because we wanted to increase investments and create as many jobs as possible," he says, while vehemently denying that Vefia is a pyramid scheme. "As the development of our activities gets bigger, we need to have all rights to draw money and pour out capital."

Vefia is described by one senior Albanian official as a "state within a state" with close connections to the government. Mr Alimualci has received public support from Mr Aleksander Meksi, the former archaeologist who is now prime minister - even though his group is under investigation by a government committee.

But there is little transparency in Albania and the roots of democracy remain shallow. President Sali Berisha, the cardiologist who has led the country

since his Democratic party ousted the communists in 1992, is facing criticism from his former admirers in the west. His overwhelming victory in last year's general election was condemned for ballot rigging, intimidation and violence.

He insisted this week that Albania will develop as a democratic country and will try to apply the most liberal standards in existence. But parliament is still boycotted by the leading opposition Socialist party seven months after the general election, and outspoken critics of the Democratic party have been beaten and intimidated.

The Berisha administration has ignored exhortations from Washington to bring the opposition back into the political process. The US is pushing for rapid progress on drafting a new constitution, to be followed by fresh elections.

But the need for political reforms has been overtaken by the pressure on Mr Berisha to pacify victims of the pyramid schemes. President Sali Berisha, the cardiologist who has led the country

triggering hyperinflation. The first step in a hasty response calls for Albania's state-owned Savings Bank and National Commercial Bank to start repaying investors in Xhaferri and Populli, two of the biggest pyramid schemes, next week. They will be paid from scheme funds that the government managed to freeze in deposits in the state banks.

But this will cover only investors in those two schemes, and most of them are likely to be repaid largely in savings books with term deposits rather than cash.

The government is working on plans to alleviate the most extreme cases of hardship - some people sold homes, land and livestock to invest at the height of the pyramid fever late last year. There is no provision yet for helping the tens of thousands who invested in schemes that have collapsed without any obvious assets.

Still to be addressed is the question of the security of several hundred million dollars deposited in holding companies such as Vefia. Western financial experts predict the collapse of such groups.

Confidence is falling daily among the dozens of foreign exchange dealers who operate with pocket calculators and wads of currency in the dusty streets outside the central bank. The currency has slipped from 110 to 125 leks to the dollar in two days.

The spectre of financial collapse in Albania is alarming its EU neighbours, Italy and Greece fear a new wave of mass emigration. In 1990, they had to accommodate tens of thousands of young Albanians who fled abroad in search of work.

Sitting in a smoky bingo hall near Tirana's main mosque, Mr Bujar Zego said he had worked illegally for six years on farms in Greece. He recently returned to Albania with his wife and three children. He had bought a van to start his own transport business. He was preparing to build a boma, but had placed most of his savings of \$24,000 in three of the failed schemes.

"I can only think about the money," he asks. "Will I get any of it back? Will I have to go back to Greece and start all over again?"

In what may be a trend-setting move, Netcom On-Line Communication Services recently announced it would phase out flat-rate Internet service in favour of a range of "enhanced" services. These include high-speed digital telephone lines and Internet access via Cable TV networks, satellite communications or cellular wireless systems.

Similarly, @Work, a new unit of the @Home Network, has launched a service designed specifically for telecommuters - people working at home who rely on online connections to keep in touch with the office. For about \$200 a month, customers will get high speed Internet access as well as links to head-office computers and 24-hour customer support.

In Internet service, as in most things, it is becoming a matter of "you get what you pay for". Businesses and people willing to pay more can expect higher speeds and more reliable connections. For those who are happy to wait for their connection, the basic low-cost Internet access will remain an option.

Home telephones under siege

Internet users are stretching the US phone network to breaking point, says Louise Kehoe



The regional telephone companies say Internet service providers are getting a "free ride" and should pay for use of the telephone network. "Internet usage is predicted to

grow more than 700 per cent by the year 2001," says Mr Roy Neel, president and chief executive of the US Telephone Association, an industry trade group.

"Someone has to pay for that usage, the subsequent wear and tear on the network and the new equipment."

The telephone companies are pressing the Federal Communications Commission, the telecoms regulator, for a change in the regulations

Pound falls

MARKETS REPORT

By Graham Bowley

The pound dropped sharply yesterday as expectations of a UK interest rate increase diminished further and traders sold sterling to fund bullish yen positions.

The dollar was supported by US GDP figures which showed robust growth but weak inflation. But the US currency's gains were capped by more bullish sentiment towards the yen. Traders suspect that next week's meeting of the Group of Seven leading industrialised nations could lead to action to support the Japanese currency.

The D-Mark gained some ground on the European crosses as currencies such as the lire and Spanish peseta came under pressure. Traders said the Bank of Spain and Bank of Portugal were both forced to intervene in the markets to support their

currencies.

There appears to be growing scepticism that countries such as Italy and Spain would be included in the first wave of European monetary union, planned for 1999, analysts said.

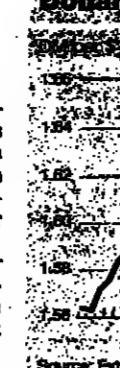
The Australian dollar came under pressure as speculation mounted that the Reserve Bank might cut interest rates next week.

The dollar closed down against the yen at the end of London trading at Y121.4. It

had ended the previous session at Y121.74. It finished broadly flat against the D-Mark at DM1.6377.

The pound sold off sharply early in European trading, losing more than 3 pence against the D-Mark. It recovered slightly later

Dollar



Source: Eikon

■ Pound in New York

Jan 31	Closing	Change	Bid/offer	Days' Mid	One month	Three months	One year	Bank of		Spot Index	
	mid-point	on day		high	low	Rate	%PA	Rate	%PA		
Europe											
Austria (SCH)	184.680	-0.075	654 / 776	185.768	185.768	185.458	2.8	185.385	2.2	104.0	
Belgium	184.680	-0.075	654 / 776	185.420	185.100	185.070	2.8	185.070	2.1	104.2	
Denmark (DK)	184.680	-0.075	654 / 721	185.085	185.085	185.070	2.8	185.070	2.1	104.2	
Finland (FIM)	182.443	-0.021	718 / 307	73.850	72.720	72.650	3.3	73.850	3.0	107.1	
France (FF)	182.992	-0.074	548 / 617	183.095	183.155	183.075	2.8	183.095	2.3	107.3	
Germany (DM)	182.944	-0.024	218 / 287	23.840	21.610	21.610	3.0	21.610	3.2	106.1	
Greece (DR)	182.948	-0.027	733 / 157	183.125	183.085	183.085	2.8	183.085	2.2	106.6	
Ireland											
Italy (LIRE)	182.948	-0.024	695 / 1005	183.005	183.005	182.975	0.5	182.975	0.5	107.0	
Luxembourg (LFR)	182.948	-0.024	522 / 549	183.045	183.045	182.955	2.8	182.955	2.2	104.2	
Netherlands (NLG)	182.941	-0.027	446 / 473	23.987	23.987	23.925	3.2	23.925	3.3	104.1	
Norway (NOK)	182.931	-0.117	674 / 807	10.030	10.342	10.360	1.4	10.360	1.3	104.2	
Portugal (PTE)	182.926	-0.024	266 / 286	23.680	23.620	23.620	-0.9	23.620	0.5	105.3	
Spain (PE)	182.920	-0.145	677 / 776	223.341	223.325	223.098	0.0	223.098	1.2	78.4	
Sweden (SEK)	182.914	-0.122	798 / 988	10.285	11.210	11.210	2.3	11.210	2.4	95.5	
UK (Pound)	182.914	-0.019	675 / 822	23.974	23.945	23.974	4.2	23.974	4.1	102.0	
EU	-	-1.2573	-0.0009	567 / 579	1.3568	1.3501	1.3554	1.7	1.3205	2.1	-
SDR†	-	-1.12627	-	-	-	-	-	-	-	-	-
Americas											
Argentina (Peso)	180.119	-0.024	014 / 024	1.5157	1.5055	1.5055	-	1.5055	-	-	-
Brazil (BRL)	180.118	-0.024	015 / 025	1.4270	1.4265	1.4265	-	1.4265	-	-	-
Canada (CAD)	180.115	-0.0145	652 / 616	2.1740	2.1516	2.1655	2.8	2.1445	3.5	86.5	
Mexico (Nuevo Peso)	180.118	-0.1341	195 / 245	12.5800	12.5185	12.5800	-0.9	12.5800	-0.9	-	-
USA (USD)	180.125	-0.012	020 / 020	1.610	1.6130	1.6087	0.7	1.6087	0.6	102.0	
Pacific/Middle East/Africa											
Australia (A\$)	180.124	-0.0079	010 / 027	2.1138	2.0982	2.1037	-0.7	2.1044	-0.4	2.120	-0.1
Hong Kong (HK\$)	180.121	-0.018	131 / 221	12.045	12.026	12.010	0.7	12.026	0.7	104.2	
India (INR)	180.107	-0.4365	817 / 477	57.000	57.3450	57.3450	-	57.3450	-	-	-
Ireland (Irl)	180.107	-0.024	015 / 015	1.4270	1.4265	1.4265	-	1.4265	-	-	-
Japan (Yen)	180.144	-1.009	403 / 584	197.130	198.380	193.814	5.7	191.759	5.7	183.344	5.8
Malaysia (RM)	180.227	-0.0108	808 / 947	4.0122	3.9695	3.9274	-2.5	3.9274	-1.6	113.6	
New Zealand (NZD)	180.227	-0.0129	254 / 293	2.3403	2.3176	2.3341	-3.5	2.3436	-2.8	113.6	
Philippines (Peso)	180.229	-0.0308	646 / 671	42.2871	42.1646	42.2871	-0.7	42.1646	-0.7	-	-
Saudi Arabia (SR)	180.229	-0.0446	080 / 124	6.0505	5.9871	5.9871	-	5.9871	-	-	-
Singapore (SGD)	180.258	-0.0185	543 / 573	2.2705	2.2487	2.2705	-	2.2487	-	-	-
South Africa (R)	180.262	-0.0165	011 / 011	1.4270	1.4265	1.4265	-	1.4265	-	-	-
South Korea (Won)	180.269	-0.1344	501 / 521	140.495	139.00	139.00	-	139.00	-	-	-
Taiwan (TWD)	180.276	-0.0344	104 / 104	44.2531	43.7780	43.7780	-	43.7780	-	-	-
Thailand (Baht)	180.288	-0.0308	088 / 578	41.8262	41.3900	41.8262	-	41.3900	-	-	-
7. Rates for Jan 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling rates indicated by the Bank of England. Base average 100.000. Bid, Offer and Mid rates in both the Pound Spot table and the Dollar Spot table derived from THE WIMBLEDON CLOSING SPOT RATES. Some rates are rounded by the Bank of England. Base average 100.000. Bid, Offer and Mid rates in both the Pound Spot table and the Dollar Spot table derived from THE WIMBLEDON CLOSING SPOT RATES. Some rates are rounded by the Bank of England. Base average 100.000.											

CURRENCIES AND MONEY



Source: Eikon

■ Pound in New York

Jan 31	Closing	Change	Bid/offer	Days' Mid	One month	Three months	One year	Bank of		Spot Index
	mid-point	on day		high	low	Rate	%PA	Rate	%PA	
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Ireland</										

UNIT TRUSTS

■ WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR

	Schroder Seoul
Johnson Fry Smaller Growth	1,504
Jupiter European	1,387
Gartmore UK Smaller Companies	1,384 1,200
Old Mutual European	1,356
NetWest UK Smaller Cos	1,358 1,000

BOTTOM FIVE OVER 1 YEAR

	Schroder Seoul
Old Mutual Thailand Acc	498
Savvy & Prosper Korea	592
Baring Korea	804
Fidelity Japan Smaller Cos	614
Schroder Seoul	620

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

TOP FIVE OVER 3 YEARS

	Schroder Seoul
Hill Samuel US Smaller Cos	2,086
Prolific Technology	1,983
Jupiter European	1,813 1,000
PM North America Growth	1,801
Framlington Health	1,787

BOTTOM FIVE OVER 3 YEARS

	Schroder Seoul
Savvy & Prosper Korea	440
Baring Korea	531
Gottsch Japan Strategy	542
Schroder Seoul	561
Five Arrows Japan Smaller Cos	569

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

TOP FIVE OVER 5 YEARS

	Schroder Seoul
HSBC Hong Kong Growth	4,072
Gartmore American Emer Gth	3,516
GT Orient Acc	3,533 4,000
Prolific Technology	3,508
Hill Samuel UK Emerging Cos	3,339

BOTTOM FIVE OVER 5 YEARS

	Schroder Seoul
Friends Prov Japanese Sm Cos	699
Gottsch Japan Strategy	722
Barclays Jpn Japan Inc	736
Fidelity Japan Smaller Cos	776
M&G Japan & General Acc	784

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

TOP FIVE OVER 10 YEARS

	Schroder Seoul
Hill Samuel US Smaller Cos	6,458
HSBC Hong Kong Growth	6,110
F&C US Small Companies	5,629 6,000
Friends Prov Australian	5,615
Gartmore Hong Kong	5,597

BOTTOM FIVE OVER 10 YEARS

	Schroder Seoul
Barclays Uni Japan Inc	575
Mercury Japan	882
M&G Japan & General Acc	720
Waverley Australian Gold	779
CU PPT Japan Growth	811

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Source: HSW (01625 511311)

■ Indices

	UK Eq & Bd
Average Unit Trust	1,025 1,127 1,701 2,441 34.2%
Average Investment Trust	1,023 1,141 2,080 2,993 4.6%
Bank	1,022 1,122 1,221 0.0% 4.3%
Building Society	1,031 1,121 1,231 1,880 0.0% 4.0%
Stockmarket, FTSE All-Shares	1,028 1,321 1,861 3,208 3.1% 3.6%
Inflation	1,024 1,083 1,550 0.4%

■ UK Growth

	UK Growth
Johnson Fry Smaller Growth	1,504
Jupiter European	1,387
Gartmore UK Smaller Companies	1,384 1,200
Old Mutual European	1,356
NetWest UK Smaller Cos	1,358 1,000

■ UK Growth & Income

	UK Growth & Income
Family United Charities	1,026 1,323 1,953 3,061 2.9% 2.0%
Fleming Select UK Income	1,020 1,322 1,986 2,755 3.2% 3.7%
Barclay UK Income & Growth	1,026 1,309 1,879 2,783 3.1% 3.7%
Cazenovia UK Equity	1,025 1,303 2,004 2.0% 2.3% 3.3%
Gartmore UK Index	1,024 1,300 1,881 3.2% 3.3% 3.3%
SECTOR AVERAGE	1,020 1,183 1,775 2,651 3.2% 2.8%

■ UK Smaller Companies

	UK Smaller Companies
Laurence Klein Smaller Cos	1,247 1,710
Gartmore UK Smaller Companies	1,284 1,708 2,281 2,901 3.7% 0.2%
AES Smaller Companies	1,207 1,688 2,236 3.4% 0.9%
INVESTOPIC UK Smaller Companies	1,217 1,578 2,268 2,759 4.4% 1.4%
Schroder Smaller Companies Inc	1,224 1,526 2,260 2,677 3.3% 0.8%
SECTOR AVERAGE	1,134 1,250 2,013 2,518 3.4% 1.5%

■ UK Equity Income

	UK Equity Income
Jupiter Income	1,175 1,564 3,100
Lazard UK Income	1,129 1,336 2,085 3,443 3.1% 4.8%
BWD UK Equity Income	1,152 1,332 2,048 2,702 3.3% 3.8%
River & Mercantile 1st Income	1,090 1,312 2,110 3.3% 4.1%
GT Income	1,148 1,304 2,094 3,624 3.3% 4.0%
SECTOR AVERAGE	1,079 1,147 1,852 2,693 3.1% 4.5%

■ UK Equity & Bond Income

	UK Equity & Bond Income
Prolific Extra Income	1,098 1,227 1,642 2,651 2.6% 4.5%
Guardian Balanced	1,024 1,176 1,700 2.6% 4.6%
Cazenovia UK Equity & Bond	1,022 1,145 1,665 2.6% 4.5%
CIS UK Income	1,065 1,132 1,769 2.7% 4.3%
N&P Higher Income	1,112 1,127 2,040 2,931 2.9% 4.3%
SECTOR AVERAGE	1,051 1,081 1,697 2,243 2.7% 5.5%

■ UK Capital Growth

	UK Capital Growth
Kleinwort Endowment Policy	1,199 1,335
Welsh Industrial	1,020 1,214 3,321 25 4.2% 5.0%
Ivy & Sime ISIS	1,024 1,145 27 4.6%
Broadgate	1,072 1,125 12 4.1% 3.5%
Fleming Enterprise	1,002 1,035 2051 15 3.1% 2.9%
SECTOR AVERAGE	1,175 1,171 2,689 4.3% 2.5%

■ Smaller Companies

	Smaller

Weekend FT



We're just taking care of business

John Plender explains why individuals in wealthy developed countries still suffer feelings of insecurity and decline

Gulliver, you may recall, encountered on his travels two impassioned groups, the big enders and little enders, whose cause *belli* concerned the best end of the egg from which to extract the yoke. A comparable war is being waged in the post-socialist era about how to extract the best from capitalism.

The so-called stakeholder societies of Germany and Japan believe that their way of creating wealth is inherently superior. In the English-speaking world there is an equal and opposite conviction that the free market model is a more robust formula for growth.

Yet a striking feature of the global economy over the past decade and a half is that the growth rates of the US, Britain and Germany have been converging. In the 1990s, even Japan is coming into line.

Convergence is admittedly taking place at relatively low rates of growth and the global economy is, like the curate's egg, only good in parts. A dispassionate observer might thus conclude that neither the big enders nor little enders are, in their distracted state, pulling their weight.

A modern Gulliver would also note that the stakeholders have high rates of investment, but use their capital very inefficiently. The short-termist Anglo-Saxons under-invest, but extract high rates of productivity from modest outlays.

The Anglos are, in addition, uncaring, tolerating greater inequality of incomes. The stakeholders are sexist: the long-termist commitment required of males in the workplace often depends on an army of women toiling in the home.

But if the respective claims to economic superiority are open to debate, there is little doubt that the English-speakers are the more psychologically disturbed. Their short-term problem is one of endemic

insecurity resulting from waves of downsizing, re-engineering and de-layering, often induced by takeovers in which macho managers delight the markets with news of mass firings.

The extreme exponent of such corporate mutilation is Al "Chainsaw" Dunlap, currently working on the big US company Sunbeam. Dunlap's arrival there last year was followed by the announcement that 50 per cent of the workforce would go. The triumphal, if unseductive, logic of this rude form of capitalism is "better pensions for fired workers".

Britain is no less vulnerable to a "feelbad" factor.

After the shock treatment of the Thatcher era, the country's relative economic decline has finally been halted against its main competitors in terms of income per head. Yet the public does not seem to want to know, because it suffers not only from insecurity but from a longer term psychological hang-up.

The nature of the hind is well illustrated by the huge success of the book *The State We're In* by Will Hutton, the stakeholder-inclined editor of the Observer, who argues that Britain is locked in a "self-reinforcing downward spiral".

Hutton's is an intelligent and passionate contribution to a very British and under-explored genre: the literature of decline. It takes many forms. There are single-issue declinists such as Martin Wiener, the historian who argues that a cultural shift towards

industry has crippled British economic development. There are multi-issue declinists such as Correlli Barnett, whose strictures range from the endemic weakness of the education system, through class division, to imperial overstretch.

Among the few witty declinists is Andrew Marr, editor of the British newspaper *The Independent*, whose book *Ruling Britannia* provides a compelling account of political sleaze.

Throughout the ages there have been thinkers, big and small, who have taken a regressive view of history. But with economics most people had nothing to feel nostalgic about until after the Industrial Revolution.

Economic declinism promptly put in an appearance in Victorian Britain, when a royal commission was set up to inquire into the nature and causes of the Great Depression of 1873 to 1886.

The Great Depression is now acknowledged by economic historians to have been a myth: its chief features were an intensification of international competition which led to painful structural adjustment in basic industries, together with the distortion of perceptions by a sharp fall in the general price level. Agriculture was particularly hard hit.

The heavily indebted British landed class, which comprised the country's political élite, was savaged by a severe bout of negative equity. Its response was to call for a royal commission.

Some of the most polished declinist literature is to be found in P.G. Wodehouse's fictional writing on this landed class. In a prescient reference to what is today called the fiscal crisis of the state, Wodehouse's butler Jeeves remarked in the 1950s: "Socialistic legislation has sadly depleted the resources of England's hereditary aristocracy. We are living now in what is known as the Welfare State, which means – broadly speaking – that everybody is completely destitute."

Most declinists take it as axiomatic that other developed countries are unaffected by remotely comparable problems. But the essence of the condition is not so much parochial machoism, as residual angst over loss of top dog status. Such declinism was particularly prevalent in the 1970s, when the late William (subsequently Lord) Armstrong, the head of the civil service, described Whitehall's task as being "the orderly manage-

ment of decline". This pessimism coincided, suggestively, with the Heath government's decision to pool sovereignty within Europe.

Britain's absolute loss of power in the world has been acutely felt by the political class, not least because empires are to politicians what takeovers are to business. They may not be profitable, but they give a great and distracting buzz to the perpetrators.

Put another way, the Luxembourgish and the Swiss are the richest citizens in Europe; but in choosing to achieve this through voluntary trade instead of subjecting other people to an imperial yoke, they condemned their politicians to a very dull life.

Tory radicalism failed to give people any sense of a stake in national prosperity

The US still enjoys global supremacy. But the distressing economic challenge posed by the Japanese has left Americans susceptible to gloom. Social declinists such as Robert Putnam, who detected a collapse in civic engagement, thrive. Economic declinism awaits a literary champion.

For the British, economic angst is an occupational hazard of having started the Industrial Revolution. The world's economic top dog is condemned to relative decline as other countries grow, even in the midst of absolute growth in living standards.

The result is that exuberant commentators experience a similar feeling to people in a stationary passenger train who are convinced they are moving backwards and

industrialists is probably more than off-set by the cleansing impact of privatisation and liberalisation, which have reduced ministers' powers of business patronage.

Why is it that declinism in Britain is enjoying a renaissance today? Imperial overstretch is, after all, a thing of the past. We now suffer from welfare overstretch, reflected in endemic budget deficits. But so does everyone else.

Part of the answer is that the transmission mechanism that leads from economic growth to a sense of well-being has broken down. Bracing Tory radicalism gave confidence and share options to the business community, while failing to give ordinary people any sense of a stake in national prosperity.

In the workplace, aggressive human resource management has replaced paternalism. Resulting insecurity has not been mitigated by any sense of increasing wealth stemming from a soaring stock market. For while popular capitalism through privatisation has widened share ownership, few new owners have bought non-privatised shares.

Meantime, the standard occupational pension scheme delivers a pension related to pre-retirement pay, not to the underlying investments. So the phenomenal rise in equity values has done more to cheer up pension fund managers and their company sponsors than pensioners.

As for those heavily dependent on the state basic pension, the shift from a link to earnings to one with prices has excluded them from a stake in economic growth. Means-tested welfare, with its disincentives to work and saving, has made it difficult to re-integrate groups such as the unemployed and the homeless into the system.

If the Conservatives lose

the coming election, it may be because their version of capitalism, for all its strengths, has delivered a feelgood factor to companies, but not to individuals. The Marxist alienation phenomenon experienced by workers on mindless production lines in the 1960s has been externalised: labour market insecurity and income inequality are its new manifestation.

Paradoxically, the Euroscepticism that now splits the Conservative party may be a sign that confidence is returning to the British political class and that declinism may soon be on the wane. But that confidence has yet to percolate down to the British people.

The challenge for any incoming government is to discover a distinctively British way of doing what comes more naturally to the Germans and Japanese. In other words, to find a more humane form of capitalism that gives ordinary people what former chancellor Lord Lawson has called "a stake in the future".

■ This article is based on

John Plender's book, *A Stake*

In The Future: The Stakeholding Solution (Nicholas

Brealey Publishing, tel:

0171-430 0224, £16.99), out

next week.

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Ruby Wax – in real life

The previous night she had been on TV in a negligee showing a massive cleavage, sticking her hand into the trousers of a Belgian.'



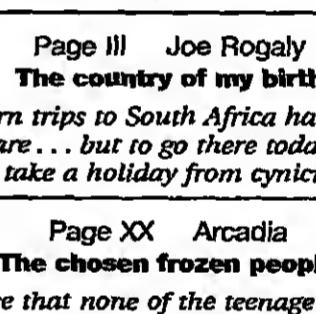
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Destination Grand Central

'Three huge windows have been unblocked, admitting a cascade of sun and revealing a view that New Yorkers have never known.'



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'I notice that none of the teenage girls are wearing Parkas. 'Are you worried that Parkas make you look fat?' My sisters nod.'

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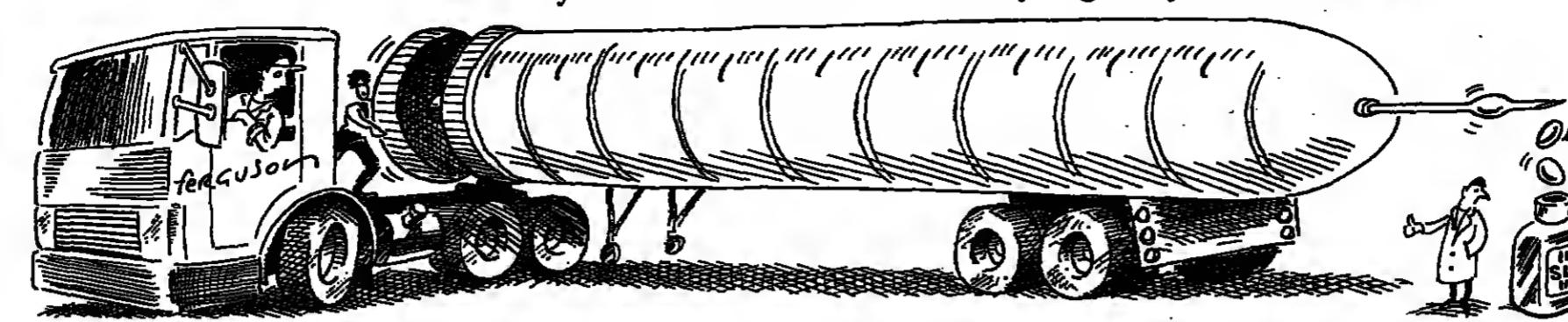
PERSPECTIVES

The isolation of insulin 75 years ago by the Canadian scientists Frederick Banting and Charles Best was one of the most important life-saving discoveries in medical history. It converted insulin-dependent diabetics from a fatal to a treatable disease, and by the late 1920s many thousands of diabetics worldwide were injecting themselves with insulin extracted from pigs and cows.

At that time scientists were already looking for a more pleasant and less damaging way to administer the vital hormone, which enables the body to metabolise sugars. The challenge was to liberate diabetics from the tyranny of the syringe, by formulating insulin in such a way that it could be taken by mouth. They have not yet succeeded.

Admittedly, today's throw-away syringes with ultra-thin needles (and pre-filled injection "pens") are a huge improvement on the ground glass syringes of the 1920s. And the insulin itself - human hormone produced by genetic engineering - produces far fewer side-effects than the impure animal insulins available then.

But many diabetics still yearn for an alternative to



The search is on for ways for diabetics to avoid the syringe, says Clive Cookson

injection. A number of projects in the biotechnology industry, designed to deliver protein molecules, such as insulin, in other ways, are giving rise to cautious optimism.

Cortecs International, a UK company based in Isleworth, west of London, and Inhale Therapeutic Systems, a Californian company in Palo Alto, have two of the most advanced projects. Cortecs is just beginning clinical trials of "oral insulin", while Inhale is developing an alter-

native system, based on absorbing insulin through the lungs.

All the medicines we normally take by mouth are small molecules, which pass into the bloodstream through the lining of the stomach and intestines, without being broken down by our digestive enzymes. But insulin - a much larger natural molecule - is quickly destroyed by the enzymes before absorption.

Past projects to develop oral insulin have involved

coating the hormone in a protective layer, such as gelatin or biodegradable plastic, to prevent its quick digestion and then release it through the intestine walls. None has given sufficiently reliable doses of insulin.

Cortecs' technology involves dispersing the insulin in an oil, which resists enzyme attack but carries it across the intestinal wall.

Insulin does not normally dissolve in oil but Cortecs scientists achieved this by sheathing the insulin in a

molecular coating of "amphiphiles" - Jekyll-and-Hyde compounds, with one end soluble in oil and the other in water.

An advantage of this formulation, the company says, is that it favours absorption into the "portal" vein, the same route taken by natural insulin produced in the pancreas.

Tests with pigs (the best animal model) confirmed that the MacroSol technology, as it is called, could deliver insulin consistently

to the bloodstream. Last year Cortecs carried out the first human tests, with six healthy volunteers; the added insulin not only reached their bloodstream but also changed a key biochemical "marker" showing that it was having an effect on the body.

The next step, to be taken early this year, will be to administer capsules of the Cortecs formulation to diabetic patients. If it works, there should be a fall in their blood sugar and rise in

circulating insulin levels. But several years of large-scale clinical trials will be needed to convince the regulatory authorities that it is safe and effective.

Cortecs aims to develop oral insulin first for type II diabetes, the less serious form of the disease which occurs mainly in adults.

These patients produce some insulin in their own pancreas, unlike type I diabetics, and are therefore more tolerant of varying doses of added insulin.

Inhale of California is collaborating with Pfizer, the American pharmaceutical giant, to develop its "pulmonary delivery system". It involves breathing an extremely fine powder of insulin particles deep into the lungs, where they pass into the bloodstream.

The Inhale system has been tested on more than 100 patients over the past three years and is now beginning more extensive clinical trials. The company says that, unlike oral insulin, the pulmonary system is an reliable and reproducible as injections, so it would be suitable for Type I diabetics.

But as John Paton, Inhale's head of research, says, both oral and pulmonary routes will require long-term clinical experience before doctors can be confident that it is safe to transport insulin daily across the membranes of the lungs or the gastro-intestinal system.

Given the history of disappointments, diabetics should not expect to throw away their syringes for some time.

Minding Your Own Business

Tending the blooms of the beautiful

Lisa Bransten meets a former hippy with five greenhouses who cares for the flowers of California's orchid lovers

Boarding schools around the world help the children of the rich and powerful to bloom into productive adults. Kennels mind their pets. But what to do about caring for their exotic plants?

That is the concern of Mary Nisbet who founded California Orchids as a place for people from San Francisco and the neighbouring suburbs in Marin County to send their orchids when the plants are not in flower.

In the 10 years since she started the business, it has grown slowly but steadily from 25 clients to about 270. Along the way the 44-year-old Nisbet has been forced to transform herself from a plant lover with almost no understanding of the cold hard numbers of business into an entrepreneur who brings in enough revenue to pay her growing staff.

She loves to take her wealthy clients around her greenhouses to show them what she has built in the tiny town of Bolinas, about an hour up the coast from San Francisco along a particularly testing stretch of Highway One.

"They think I [am] just some girl with a greenhouse," she says. "When they come out here they're shocked that I have a real operation with five greenhouses and 15,000 plants and five employees with paid vacations."

The business, which has grown entirely by word of mouth, has benefited from its stable of name-brand clients such as Robert and Colleen Haas, of the family that

founded clothing giant Levi Strauss.

Nisbet has also captured a piece of the exploding interest in orchids. Sales of potted orchids have grown threefold to \$90m since 1986, estimates Ned Nash, director of education and conservation at the American Orchid Society. He adds that Nisbet probably benefits from being near San Francisco, which is one of the leading floral mar-

'If I hadn't been so naive I never would have done it. I would have been too overwhelmed'

kets in the US. "It's arty, they're very much concerned with having beauty around them," he says. And equally importantly, he adds, "It's a very affluent city."

Even with a minimum charge of \$420 a year for about 9 sq ft in her greenhouse, Nisbet has a waiting list of about 15 people. And she has intentionally had to restrain the growth of her company to ensure that she can meet the demands of the clients she already has.

"Because it's a service business you have to limit what you're doing," she says. "When a new client calls, if I'm wondering 'When do I have time? Can I make room for them?' then I don't take them because I

haven't been able to treat them well."

One factor holding Nisbet back is the location. Bolinas has largely been forgotten by time since Vietnam protests and love-ins made headlines, and the residents like it like that. So wary are the locals of encroachment by the outside world that they constantly removed the highway sign marking the turn-off for their town. After years of replacing signs, the California Department of Transportation finally put the issue of a highway sign to a vote. Locals rejected the sign.

It is an agreeable environment for a self-confessed former hippy, and very close to her primary customer base in San Francisco, but it can be a difficult one in which to run a business. Many suppliers will not negotiate the steep winding road from San Francisco and the ones that do often have a hard time finding a vote.

The biggest problem, however, is finding capable, committed employees. "I'm constantly interviewing people who want to know what my sign is and think it would be so mellow working in a greenhouse," she says, "but they don't understand that it is a real job."

Certainly it is not something Nisbet envisaged as a job in 1972 when she left school in Illinois and set off for the University of Oregon at Eugene.

She did not have much in mind except maybe a degree in botany. "I was a hippy so went to Eugene, which is where hippies went," she says. Of course she neglected

to determine if the university had a hotany programme. It did not.

So she stumbled into orchid boarding very much by accident. First she got a job at a nursery in Eugene and later moved to San Francisco to work for one of the largest orchid growing operations in the US. From there she and a former boss formed their own boarding business.

The partnership failed but reasonably amicably and they each took half of their 50 or so clients to set up on their own.

But without her partner Nisbet was at sea. Bankers laughed at her when she approached them for a loan to buy the Bolinas property. She had, no business plan and little understanding of the basics of interest rates.

To a certain extent her lack of business sense was a good thing, she recalls: "If I hadn't been so naive I never would have done it. I would have been too overwhelmed."

Ultimately she got a loan for \$350,000 to buy the property in Bolinas through a government programme for small businesses. She borrowed another \$50,000 from her father to fix up the greenhouses which had fallen into disrepair after years of use as a fuchsia farm.

Since then she has paid little attention to the business side of her operation, instead focusing her attention on providing good service and growing beautiful plants.

Evidence of her lack of interest in the business side of the company is her inability to quote immediately the percentage of revenues she pays out in wages or even her profits.

Of late, however, she says she has had to become more efficient at managing finances, making sure revenues continue to grow just to keep up with the rising costs of hiring more people.

Nisbet says that in order to get rich in the orchid business she would have to branch out into retailing and wholesaling, where profit margins are much higher.

But she worries that it would be too easy for a huge company to come in and drive her out of those operations.

Anyway, getting rich is not her aim. Turnover is about \$275,000 a year and she pays much of that out to her employees. After paying herself about \$24,000 - which she says is enough to live on given that she has a charming house on the property -

she ploughs most of the rest back into the company.

"If I've made enough money to build another greenhouse then I think I'm a happening person," she says.

■ California Orchids, PO Box 306, Bolinas, California 94924



Truth of the Matter

We saw more danger than glamour

Former cadet Charles Batchelor says there are better ways of dealing with disaffected youth

The combined cadet force did not immediately appeal for Friday afternoon "club" activity when I reached the third form. The chess club had been my first choice. But after three weeks I transferred.

I do not recall being attracted by the uniform and the military trappings. It was more the sense that this was a more exciting outdoor activity than sitting in a dusty schoolroom moving chess pieces.

I signed up for the force's army section. The clever boys were attracted to the RAF, where afternoons were spent on calculations involving wind speeds and vectors, but this seemed too much like a continuation of maths.

Curiously, although Brighton is a seaside town and the sea was in clear view from what was then Vardean Grammar School for Boys (now a sixth form college) the school's combined cadet force (CCF) did not possess a navy section.

Did my distant experiences of this projection of the military life confirm the government's views that reviving the cadets would improve the character of Britain's youth? Or would it simply promote an

unhealthy interest in weaponry, which we should be attempting to discourage?

The army section spent much of Friday afternoons on map-reading, which was fine for a hiking fanatic, and on learning the parts of weapons. Less interesting, though oddly satisfying if you got all the bits of it right, was the endless drilling.

But for me the real joys of the cadet force were the "arduous training weekends", when groups of us would hike through the countryside for two days and nights. Sussex may not appear the most rugged of counties but crossing the Pevensey Levels in a snow-storm is no joke.

Half way through each weekend I vowed never again to submit myself to the aching shoulders, the water-logged boots and the fumbling with paraffin cookers. But as the next weekend approached the appeal re-

asserted itself: the satisfaction of completing the course; of carrying all you needed for your own survival on your back, of reaching the top of the final ridge. Summer holidays offered the choice of army camp but I missed several because of the competing attractions of the scouts' summer camp. The CCF was never able to replace the scouts in my affections, perhaps because I came to it later and partly because it involved spending a lot of time with people who were not my closest friends.

The cosy domesticity of scout camp - always in the same field on a farm near Hallsham - contrasted starkly with the bleak army barracks where I lodged for a week in two successive years on Dartmoor and the flat landscape of Norfolk.

UK government clearly thinks it is valuable? Not in any way which was specific to the military ideal. The fun and experience of hiking, canoeing and camping could have been gained from other youth organisations.

Although the then headmaster of Vardean was a former artillery officer and a stern disciplinarian there was not a military ethos to the school and the cadet force did not appeal to the stricter members of staff.

One of the most inspirational of those involved, an English master, was the complete antithesis of anything military.

But he brought to the cadet force a wider view of the world and he was behind a series of foreign trips we made in the early 1980s. I went on two.

What did we learn from these experiences? There is no doubt we acquired a degree of self-reliance based on confidence about our ability to survive in the wild and an appreciation of the importance of team-working.

But did it mould our characters in the way the present

something to help disaffected youth would do better to give its backing to organisations with firmer roots in the local community such as youth clubs or scouts.

Did it have any negative effects on our impressionable young characters? There were opportunities for weapons practice and some boys became quite good shots. But the impression gained from this activity was that rifles were potentially very dangerous. No glamour attached to the ageing 30s we were allowed to use.

The CCF did not long survive my leaving school. It was disbanded in 1985, as the school's history recounts, because of the difficulty in finding staff willing to act as officers. The new head, a man of impeccably liberal views, found a use for the disused firing range. He formed a School Rifle Club.

Chess No 1982: 1. Kd2 g102 Nbd4 (so that if Kd4, 3. Nf3 and 3. Nf3) and 3. Nf3 creates an impregnable fortress. The BK is trapped at h5, while the BQ cannot win on her own. The practical 1. Kd2 prevents the BQ from winning. 2. Nf3 and 3. Nf3. 3. Nf3 and 4. Nf3. 4. Nf3 and 5. Nf3. 5. Nf3 and 6. Nf3. 6. Nf3 and 7. Nf3. 7. Nf3 and 8. Nf3. 8. Nf3 and 9. Nf3. 9. Nf3 and 10. Nf3. 10. Nf3 and 11. Nf3. 11. Nf3 and 12. Nf3. 12. Nf3 and 13. Nf3. 13. Nf3 and 14. Nf3. 14. Nf3 and 15. Nf3. 15. Nf3 and 16. Nf3. 16. Nf3 and 17. Nf3. 17. Nf3 and 18. Nf3. 18. Nf3 and 19. Nf3. 19. Nf3 and 20. Nf3. 20. Nf3 and 21. Nf3. 21. Nf3 and 22. Nf3. 22. Nf3 and 23. Nf3. 23. Nf3 and 24. Nf3. 24. Nf3 and 25. Nf3. 25. Nf3 and 26. Nf3. 26. Nf3 and 27. Nf3. 27. Nf3 and 28. Nf3. 28. Nf3 and 29. Nf3. 29. Nf3 and 30. Nf3. 30. Nf3 and 31. Nf3. 31. Nf3 and 32. Nf3. 32. Nf3 and 33. Nf3. 33. Nf3 and 34. Nf3. 34. Nf3 and 35. Nf3. 35. Nf3 and 36. Nf3. 36. Nf3 and 37. Nf3. 37. Nf3 and 38. Nf3. 38. Nf3 and 39. Nf3. 39. Nf3 and 40. Nf3. 40. Nf3 and 41. Nf3. 41. Nf3 and 42. Nf3. 42. Nf3 and 43. Nf3. 43. Nf3 and 44. Nf3. 44. Nf3 and 45. Nf3. 45. Nf3 and 46. Nf3. 46. Nf3 and 47. Nf3. 47. Nf3 and 48. Nf3. 48. Nf3 and 49. Nf3. 49. Nf3 and 50. Nf3. 50. Nf3 and 51. Nf3. 51. Nf3 and 52. Nf3. 52. Nf3 and 53. Nf3. 53. Nf3 and 54. Nf3. 54. Nf3 and 55. Nf3. 55. Nf3 and 56. Nf3. 56. Nf3 and 57. Nf3. 57. Nf3 and 58. Nf3. 58. Nf3 and 59. Nf3. 59. Nf3 and 60. Nf3. 60. Nf3 and 61. Nf3. 61. Nf3 and 62. Nf3. 62. Nf3 and 63. Nf3. 63. Nf3 and 64. Nf3. 64. Nf3 and 65. Nf3. 65. Nf3 and 66. Nf3. 66. Nf3 and 67. Nf3. 67. Nf3 and 68. Nf3. 68. Nf3 and 69. Nf3. 69. Nf3 and 70. Nf3. 70. Nf3 and 71. Nf3. 71. Nf3 and 72. Nf3. 72. Nf3 and 73. Nf3. 73. Nf3 and 74. Nf3. 74. Nf3 and 75. Nf3. 75. Nf3 and 76. Nf3. 76. Nf3 and 77. Nf3. 77. Nf3 and 78. Nf3. 78. Nf3 and 79. Nf3. 79. Nf3 and 80. Nf3. 80. Nf3 and 81. Nf3. 81. Nf3 and 82. Nf3. 82. Nf3 and 83. Nf3. 83. Nf3 and 84. Nf3. 84. Nf3 and 85. Nf3. 85. Nf3 and 86. Nf3. 86. Nf3 and 87. Nf

PERSPECTIVES

Joe Rogaly

Dazzled by the masters of the Cape

It's worth staying optimistic about new South Africa



To visit South Africa is to take a holiday from cynicism. I left the country of my birth in 1959, despondent about the future. Return trips have been rare. The last was in 1989, a few months before Nelson Mandela was released. This time, just a week ago, I awaited the president in an ornate antechamber. The stern faces of his predecessors lined the wall: Malan, Strijdom, Verwoerd, Botha... the lot.

The celebrated forgiver has not had the likenesses of his jailers removed. The Union Building in Pretoria is just as President Mandela found it after he won the post-apartheid election in 1994 - imposing, monumental, directly facing the Voortrekker memorial across the hills.

In my trade you meet more or less as many big cheeses as you choose to. The appetite for such encounters wanes. Yet to confront this man turned me into a schoolboy in the presence of a star. One of our party had met him within the past year. The famous smile appeared. "I thought you might fail to recognise me," said the president. My quip - "since I last saw you went to jail" - was met with "I am very well aware of that".

Rumours that he is showing his age, losing his grip, seemed confounded. He spoke to us about the press, which should be critical, a mirror to the government - but as all politicians say, accurate. He was fluent, precise. A master of eye contact, each visitor was made to feel as if he was favoured. It must have been that way when he responded to the invitation of a *barmitzvah* boy by turning up at the 13-year-old's ceremony, charming Johannesburg's Jews.

The following morning, along with three colleagues, I called on the vice-president, Thabo Mbeki. We sat on the back stoop of what had been former president F.W. de Klerk's house. Double doors of the drive, tennis court discreetly alongside. Through the spacious reception room to the glori-

Mandela turned me into a schoolboy in the presence of a star

ous Pretoria garden at the rear. My cousin remarked, when I told him, that if I had asked him to bet against such a scenario five years ago I could have won a great deal of money.

Mr Mbeki echoed the president's theme of inclusiveness, of bringing people round. Everything he says in public is weighed carefully, for although he is the supposed dead-cast successor to Mr Mandela he has yet to grapple with the formalities. The matter will be decided at a special convention of the African National Congress at the end of this year. Another supposed candidate is Cyril Ramaphosa, of whom more later.

South Africans are quick to ask "what makes Mbeki tick?" As the next president he would be judged against a towering predecessor, a global legend. Yet he seems self-confident, widely read, possessed of a deep sense of the history of his country in general and the ANC in particular. He approaches every topic with a long run-up, going back to the beginnings of the argument, and taking you methodically forward, as would a tutor.



Ruby Wax: 'Are they getting sick of me?'

Ruby Wax - the real thing

But she wasn't looking or sounding on form. Lucy Kellaway finds her guest being far from loud

Could the Financial Times provide a car to get Ruby Wax home after lunch, the publicity woman at the BBC had asked. We don't have cars, I told her, and suggested Wax could take a cab. The problem, she explained, was that Wax could not be expected to get her own cab or to pay for it. In that case, I said, I would find a taxi and give her some money. That was the difficulty was resolved.

"Hi!" said Ruby Wax, when we met a couple of days later at Nicos Central "You work for the Financial Times, right?"

Right, I said. "I've got a question to ask you. I thought maybe someone at the Financial Times would know a personal investor guy."

I said I didn't know anything about personal finance, but that I might be able to ask around.

"I'd really appreciate it. I'd like four or five names of people who are good at this investment stuff. I'll give you my home number."

Up-front and getting what she wanted only three minutes into our lunch, Ruby Wax was behaving true to form.

But she was neither looking it nor sounding it. The previous night she had been on television in a segment showing a massive cleavage, sticking her hand into the trousers of a Belgian celebrity called Jean Claude someone or other. But the woman who faced me was a slight figure huddled in a black overcoat wearing horn-rimmed glasses.

Far from being loud, she was hard to hear above the busy clatter of one of London's smarter restaurants.

We looked at the menu, but Wax could not decide.

"I gotta ask him," she said, attracting the attention of the waiter. "What do you think is a great starter that's not too fattening?"

She recited a list of incomprehensible dishes.

"So those are your faves?" she said. "Look, I'm cold. Could we move to a table around the corner? I've just had the flu." Our new table was even colder and by the back door. She huddled deeper into her coat.

"So who else do you interview?" she asked me. "Like, anyone?" I mentioned a few names and then asked how she felt being at the receiving end of so many interviews. She bristled. "I don't do that many." But I read at least three last week, I insisted.

"Like, where? It's not like

Good heavens woman, I wanted to say. You are funny, successful, pretty, rich, happily married with three children. Why do you have to be so neurotic?

But instead I made matters worse by saying that



Tell people my show's on Monday nights! she said

I'm doing this all the time." I was getting a weird sense of déjà vu. On the previous evening's show she had done a sketch with actor Tom Hanks in which she pretended to be the thin-skinned, temperamental celebrity. Was she still acting the part?

The waiter brought her a jump of something beige covered in bearnaise sauce. "The wrong choice," she said.

I asked if she was finding it increasingly hard to get people to go on her show.

"Why should I? It's not like, we are running out of options. We could have had Winnie Mandela in this series. But she had a trial.

"With Winnie I wouldn't be joking," she went on. "I think someone did something terrible I can't have a grin on my face. I have morals, you know."

But what about Imelda Marcos? Wax had grinned throughout that interview, and surely Imelda did do something really terrible.

"I don't know if she did. It may be she is so in her celebrity head, she didn't realise what was happening. How can you blame her for that?"

I suggested that being in one's "celebrity head" to that extent was pretty culpable, but she did not agree.

"I always do a lot of research first. If I get Margaret Thatcher, I'm not going to say: where's the bridge?"

But you did say that to Fergie, I pointed out.

"It was only three seconds, and she could have cut it out. Look, I let them have editorial control. They can take out what they want."

She popped a piece of chewing gum into her mouth. "Antacid," she said. "Because I was sick."

I say I would like to see her being straighter: funny but not over the top, and interviewing more serious people.

"You're right," she went on. "You're very observant to say the next phase is to cool it. Do you want to work as my researcher? You could be my director or my producer. We'd pay you a lot."

Was this a joke at my expense? I said I already had a nice job, thank you.

We talked again about her present series, and suddenly she said: "Are they getting sick of me?"

Good heavens woman, I wanted to say. You are funny, successful, pretty, rich, happily married with three children. Why do you have to be so neurotic?

But instead I made matters worse by saying that

She declined pudding and ordered coffee. By now the place was boiling hot and Wax took off her coat. I could not help noticing that her real chest in a clinging red jumper bore little relation to the cleavage of the night before.

"It was a bullet bra," she explained. They sell them at Nieman's. I wouldn't wear it in real life. It'd change your relationship with the world."

"I don't read Hello! - well I sometimes look at it on the toilet."

But surely it is required reading for anyone interested in celebrities.

"I know you're being campy now," she said. "Hello! is nothing to do with what I'm doing. I am interested in knowing how they are affected by things. I watch their eyes. I'm not interested

in the accoutrements."

This wasn't strictly true, as her greatest coup was getting Fergie to show her drawers full of colour-coded T-shirts. But I did not want to upset her further, so I kept quiet.

"You'll tell people my show's on Monday nights," she said as she bill came.

"Because otherwise they won't know. It's not a good slot."

"Is my taxi waiting?" she asked. I said I would hail one right away, and she warned me she didn't have any money.

I slipped a £10 note into her hand, saw her into the cab and waved goodbye.



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BOOKS

Hooked on a trumped up pack of lies

A.C. Grayling on why tarot cards have been so successfully adapted for occult purposes

Credulity, insecu-
rity and desire
form a potent
combination in
the human psyche. Together they make us eager to believe any nonsense if it purports to yield a glimpse of the future, or offers even the slenderest hope of success in love or fortune. On this rests the livelihood of many tricksters and charlatans - the crystal-ball gazers, palmists, astro-

logy, alchemy, Rosicrucians, fortune-telling, and the rest of the so-called "Higher Sciences" invented by feeble intelligence. They do so by implication, almost as an aside; for merely to know how these imaginative theories arose, and how they came to be applied in the occult use of tarot cards, is to see them for what they are.

One of the chief among many fascinations in this book is its history of the "Higher Sciences". It also sheds interesting light on the history of science proper: for example, it shows that Robert Boyle called his book *The Sceptical Chemist* for good reason: he was highly sceptical of the alchemical pretensions of his day.

If a single individual is responsible for the current popularity of the occult tarot it is Eliphas Levi (1810-75), who synthesised the ideas of 18th century predecessors into an elaborate theory. Those predecessors - such men as Court de Gébelin and Etteila (a Parisian entrepreneur called Allette who first coined the term "cartomancy") exploited the heady mixture of Hermeticism, Rosicrucianism, alchemy and the Cabala first brewed in the Renaissance, and added a mystical form of more recent interest in Egyptology.

Among the resulting beliefs were that tarot cards constitute a secret book of the universe, from a reading of which *everything* can be learned.

We think of 18th-century France as the crucible of Enlightenment; yet it was simultaneously awash with Freemasonry and interest in the occult, especially in the latter half of the century. There is no contradiction here; every movement of thought carries its opposites with it.

Levi developed a theory out of this rapidly evolving "tradition", formulating a Cabalistic tarot in opposition to Etteila's Hermetic one. But it was left to a disciple, one Gerard Encausse, who called himself Papus (1865-1916), to popularise it, for whereas Levi had few literary skills, Papus could write. He systematised Levi's teachings, and his writings inaugurated the main stream of occult tarot practise known to day.

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gers, and readers of tarot cards.

In 1980 Michael Dummett published a book on tarot, a complex card game invented in the 15th century. Somewhat like bridge, it turns on capturing tricks. Originally called "trionfi" ("triumphs" or "trumps") it involves - as the name suggests and again like bridge - trump cards which can capture tricks by outvaluing other cards played to the table.

The standard tarot pack consists of 78 cards, of which 56 are distributed into four sequentially numbered suits called Cups, Coins, Swords and Batons, each of which has four Court cards (a Knight joins the usual three). The remaining 22 are "nonsuited" picture cards, and they constitute what is distinctive about the tarot pack. One, the Fool, stands by itself; the other 21 are numbered in sequence and depict such subjects as a Hanged Man, a Devil, a Wheel of Fortune, the Moon, a Pope, and an Emperor.

In first discussing tarot and its history, Dummett took pains to distance the game from occult and divinatory uses of tarot cards. Recognising that his strictures have not been heeded, he here returns to the fray, aided by two collaborators, to show definitively and finally that occult applications of tarot cards are not only bunkum but exceedingly recent bunkum, dating from the late 18th and early 19th centuries.

So successful is their onslaught that the authors not only demolish the occult tarot but (so to speak) the whole house of cards involving



The Star from the Marseille pack one of the more benign nonsuited picture cards in the tarot pack

The key to the tarot pack's occult use is the enigmatic and somewhat chilling array of figures on the trumps. "The Hanged Man", "The Wheel of Fortune", "The Devil" hint darkly at mysteries and prompt a frisson. In his first book Dummett argued that whatever they meant to their first devisers, the private meanings of these figures are now lost. This of course is exactly why they are so apt for occult purposes. The

recipe for nonsense is: take something strange-looking, whose meaning is now forgotten, and liberally stir in imagination and superstition.

The authors tell an absorbing and surprising tale. It

is not over: a forthcoming second volume promises to extend the story beyond Papus and France to the 20th-century Anglophone world, where the occult tarot now vigorously flourishes.

Politics? a piece of cake

Heinz Schulte reviews a biography of Helmut Kohl

In October 1996 Helmut Kohl became the longest serving Chancellor in post-war Germany, having even overtaken his political mentor and first Chancellor of the Federal Republic of Germany, Konrad Adenauer. As was to be expected, an array of books and pamphlets has been published hailing the chancellor of German unity. Titles such as "I always wanted German unity" smack of political justification after the event.

Yet the occasion of Helmut Kohl's anniversary in office has been sombre. Instead of celebrations, an economic hangover has gripped Kohl's coalition government. Meeting the Maastricht stability criteria in 1997 for the introduction of the European currency is no longer a foregone conclusion in Germany. Some observers compare the current Kohl reign to the final days of Margaret Thatcher in Downing Street. While there is no Brutus in sight to sink in the political knife, distinct rumblings in the ranks of both the junior liberal coalition partner (FDP) and Kohl's own Christian Democratic Party (CDU) are discernible.

The strength of this book, however, lies in the way Pruys details the domestic politician Helmut Kohl. It is in Germany's arcane arena of domestic politics that Kohl is the undisputed ringmaster. In the context of the Maastricht debate especially, Kohl understands that the 1998 elections will be won in the provincial German towns and not in Paris, London or Amsterdam. Accord-

GENIUS OF THE PRESENT: A BIOGRAPHY OF HELMUT KOHL
by Karl Hugo Pruys
Edition (Chicago \$26.95, 416 pages)

ing to Pruys, "Politics is an existential question for Helmut Kohl, quite literally. Although it is difficult to describe in detail, he is sort of like a monster who feeds spiritually in an ominous way on the substance of politics and the people who are part of it. This may have caused some of his colleagues who left him or who were 'cast off' by him to reach the damning conclusion that he is a cynic with parallel."

Pruys gives a fascinating and little-known account of the way in which Kohl has been controlling fiery independent local party bosses and a stubborn Bavarian coalition partner moulded by his arch rival, Franz Josef Strauss. Pruys describes the manner in which Helmut Kohl "steamrollers" friend and for alike by telephone, using his little black notebook, which seems to contain all relevant data including the birthdays as well as the telephone numbers of useful people.

Pruys also describes the day Kohl arrived as party chairman in Bonn. "Before Kohl sat down at his desk on the tenth floor of the CDU skyscraper in Friedrich-Ebert-Allee to familiarise himself with his work, he first considered his eating habits. There was a cafe near the party headquarters where he could buy bis strawberry cake and cream for DM17 (out of his own pocket). He would hand the cake out to the secretaries in the reception area, who were completely unused to such jovial treatment of personnel". To understand the politician Helmut Kohl is to appreciate "Helmut Kohl the Indulgent".

Prus sketches the early years of Kohl in the political down and sink into the accommodating pillows of my fat couch".

In that sense, his book is an agonised and not wholly successful attempt to promote not so much "fat acceptance", which he regards as a modified form of self-loathing, but the full-bodied appreciation of fat which existed in previous centuries.

There is a slight sense of displacement here, as though Klein finds it easier to admire other people's round flesh, especially when it carries the label "art", than his own.

But his other message, that people would feel happier with themselves (and might even be thinner) if they ate what they wanted, when they were hungry, instead of alternately fasting and binging, seems incomprehensible.

In developed countries and especially the US, human beings have lost touch with their appetites, leading to a situation where they munch snacks throughout the day instead of regular meals when they are hungry. *Eat Fat* is a rare attempt to break this habit and, unlike most diet books, it does it in a thoroughly engaging and original way.

An appetite for pleasures of the flesh

Joan Smith on an entertainingly original anti-diet book

The figures he quotes are startling: only four per cent of dieters manage, when they return to eating normally, to keep their weight down. Three-quarters of dieters are actually *fatter* three years after they begin trying to control their weight, a figure that rises to 95 per cent after five years.

Dieting, in other words, exacerbates the problem instead of alleviating it. (What Klein doesn't add, but I have long believed to be true, is that dieting is a symptom of a disordered relation to food rather than a cure.) But even if we accept for a moment Klein's thesis that being overweight causes fewer health problems than is usually claimed, surely it makes people physically uncomfortable?

Klein himself writes vividly about how it feels to be fat, and the tyranny it exerts over his life: "I look in the mirror and register fat; I push against the sink and feel my paunch. I change clothing and notice, stand up and feel it bearing down, lie

down and sink into the

accommadating pillows of my fat couch".

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BOOKS

Andrew Scull is Professor of Sociology and Science Studies at the University of California, San Diego. He is a distinguished, scrupulous scholar whose book *The Most Solitary of Ambitions: Madness and Society in Britain, 1700-1900* (Yale, 1993) was deservedly praised. This new book is a sequel; but one which approaches the subject from a different point of view. Scull and his co-authors have chronicled the development of psychiatric practice in the 19th century by examining the biographies of the medical men who became regarded as leading specialists in mental illness.

Before 1800, most mad individuals were either kept at home, or left to roam the countryside, along with beggars, criminals and other vagrants. If their families were able and willing to pay, a few were confined in small madhouses, cared for by doctors who increasingly claimed special

knowledge of insanity. Some of these places were horrific, but others were administered humanely. Until the beginning of Victoria's reign, the asylums contained more than 100,000 inmates. Institutions which, at mid-century, held fewer than 300 patients, had expanded to house over 1,000: " vast receptacles largely devoted to the confinement of those without hope."

However, the need for administrators to organise and run asylums promoted the idea that there could be specialists in lunacy and the medical profession took good care that this new specialty should remain in their bands. The specialists were first known as "mad-doctors", then as "alienists", and finally, towards

the end of the Victorian era, as "medical psychologists" or "psychiatrists".

The custodial care of the chronically insane was not attractive to ambitious doctors, and until well into the 1940s it remained true that many of the medical

officers who worked in asylums were doctors of poor quality. But there were always exceptions, and Scull and his colleagues have provided some striking examples of alienists who became reformers.

Among them are John Conolly and his son-in-law Henry Maudsley. Conolly was a tricky character. At first he supported the idea that no lunatic should be confined in an asylum unless dangerous to himself or to others. But two decades later, when he needed to make a living from a private asylum, he declared that a huge range of eccentric and immoral behaviour preceded frank insanity and required treatment in an asylum if madness was to be prevented.

His chief claim to fame is that, while superintendent of the huge asylum at Hanwell, he abolished the chains, cuffs, leg-locks and other methods of physical restraint which were then customarily applied to lunatics: in fact, the inspiration behind abolition was a young doctor called Robert Gardiner Hill, who never received the credit due to him. Henry Maudsley died in 1918, but his name lives on. His bequest of £30,000 to the London County Council resulted in the building of the Maudsley Hospital, which was opened in 1923 as an alternative to the asylum: a place in which acute mental illness could be treated early, research into mental illness carried out, and in which physicians

could be trained as specialists. The Maudsley, together with its associated Institute of Psychiatry, is still the premier centre for psychiatric research and training in England.

But Maudsley, although a notable critic of asylum practice, was an aggressive, humourless, cynical individual, who showed contempt for his colleagues and who wrote an offensive obituary of his father-in-law, Conolly. Maudsley stated that the constitutional inferiority of women was "a physiological fact". He also believed in the inheritance of acquired characteristics, and concluded that immoral and evil behaviour in earlier generations caused degeneration and insanity in their descendants.

This admirable account of the development of psychiatry in the 19th century provides many insights. One is that effective reformers are not the gentle, kindly humane individuals which popular myth supposes.

Out of mind, out of sight

Anthony Storr on the disturbing story behind the custodial care of the insane



Photographs from the front line: the Bohunice nuclear power plant, Czechoslovakia, included in a collection of pictures published to mark a quarter of a century of Greenpeace campaigns. "Witness: Twenty-five Years on the Environmental Front Line", by Kieran Mulvaney and Mark Warford, includes an introduction by the Dalai Lama (Andre Deutsch, £20).

Moonlit meetings with the unknown

Jeremy Gavron on the intrepid early journeys made by two of the last great explorers

What makes an explorer? These accounts of youthful adventures, a decade before Thor Heyerdahl was to sail the Pacific ocean on a balsa raft and Wilfred Thesiger was to cross the desert seas of Arabia on a camel, tell how two very different young men first set out to follow in no-one's footsteps – or at least no white footstep.

Thesiger couldn't have asked for a more appropriate choice. He was the first British child born in Abyssinia, where his father was the British Minister. At the age of six he watched Ras Tafari's army pass below the legation on the way to fight Negus Mikael, and the sight "made a profound impression on me, implanting a craving for barbaric splendour, for savagery and colour" that grew into "a disease for the dull monotony of our modern world."

After Eton and a year at Oxford, Thesiger was invited back to Abyssinia for the coronation of Ras Tafari as Haile Selassie, and spent

a month hunting along the banks of the Awash river, north-east of Addis Ababa. Two years later he returned to search for the source of the Awash.

The *Danakil Diary* is made up of his edited diaries from these two expeditions, interspersed with letters to his mother. He was only 24 by the end of the second journey, and the writing here lacks the stark lyricism and considered narrative of *Arabian Sands* and *The Marsh Arabs*.

But the Thesiger sensibility is already well-formed. Finally catching up with the elusive Sultan of Aussa, he writes that "this moonlight meeting in unknown Africa with a savage potentate who hated Europeans was the realisation of my boyhood dreams. The knowledge that somewhere in this neighbourhood three previous expeditions had been exterminated, that we were far beyond any hope of assistance, that even our whereabouts were unknown, I found wholly satisfying."

THE DANAKIL DIARY
by Wilfred Thesiger
HarperCollins £18, 214 pages

GREEN WAS THE EARTH ON THE SEVENTH DAY
by Thor Heyerdahl
Little, Brown £18.99, 308 pages

first step he takes into his beloved wilderness hastens that very wilderness's demise.

Thor Heyerdahl was born in 1914, only four years after Thesiger, but while the young Englishman was the last of the grand old explorers, the young Norwegian was one of the first of a new breed of more knowing and agonised adventure-

ers. As the title of his book suggests, he was an early green.

Heyerdahl's boyhood was as commonplace as Thesiger's was unusual. He grew up in a small coastal town near Oslo, from where he watched ships steaming away to the far reaches of the world. No more enamoured of the modern world than Thesiger – "I don't like machinery" he told a bemused schoolboy – he was drawn not to barbaric savagery, but with a religious wonder to nature, and in 1936, at the age of 22, he set off with his wife, Liv, in search of

the closest they could find was the Marquesas Islands in the South Pacific, and here the Heyerdahls arrived with scarcely more than a cooking pot, a macate and Liv's wedding dress. Sleeping in a hammock hut, living on coconuts, bananas and prawns they trapped in a stream, they were initially "as happy as children", but it wasn't long before serpents, or rather giant poisonous centipedes, began wriggling into their paradise.

First Christian rivalries among the islanders, then hollies, then mosquitoes threatened their experiment in the good life, and finally, after a year, the giant centipedes which were slipped into their hut by drunken islanders persuaded them to leave, though not before the constant easterly wind on his bare chest had set Heyerdahl wondering whether Polynesia hadn't been settled from South America – the question he would set out to answer on his Kon Tiki expedition.

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Green was the Earth on the Seventh Day is part account of this year in the Marquesas; and part environmental tract, wandering back and forth over a life of exploration and ideas. At times Heyerdahl slips into a fuzzy mysticism that is hard to digest after Thesiger's sun-baked prose, but while Thesiger strides ahead with blinder clarity, Heyerdahl travels with his eyes and mind open, trying to understand and wanting to use that understanding to prevent the explorer being immediately followed by the exploiter.

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people who let him forget that "he had still in some degree the misfortune of being a responsible member of society."

Disraeli's plot, meanwhile, rattles along, enlivened by some brilliant social satire, conversations full of political and moral ideas and a nail-biting will-reading scene as a finale. When the film-makers have finished with Austen, Eliot and Trollope, they may well turn to Disraeli. What the "new generation" demands, Disraeli seems to suggest, is visionary leaders preaching one-nation Toryism. Thanks to sheer brilliance of personality, for instance, Coningsby stands for and wins his grandfather's seat, even gaining the support of Millbank, whose beautiful daughter he marries. In Millbank's paternalistic factories, he sees the plights of conservatism worked out for the benefit of the working-man.

"Your situation," said Coningsby, looking up the green and silent valley, "is absolutely poetic."

"I try sometimes to fancy," said Mr. Millbank, with a rather fierce smile, "that I am in the New World."

Fiction/Iain Finlayson

From exploration to exploitation

Hauled to safety by Frank

Trask, a local expedition guide and entrepreneur. Byrne – a doctor by profession, a botanist by avocation, a glaciologist by aspiration – lives out a frugal life in the Canadian frontier tourist town of Jasper as the

medical officer of Trask's company, which is pushing a railway through the Rockies. He is waiting for the natural, inevitable melting process of the Arcturus glacier to throw up and reveal the reality of what he saw, or what perhaps was merely "a hitherto unknown periscope property of glacial ice." What surfaces, what survives, is miraculous enough.

Icefields wears its inspiration on its sleeve: its epigraph is a quotation from Michael Ondatje's *Coming Through Slaughter*: "As if everything in the world is the history of ice." There are references, too, in the biographies of characters and places to remind the reader initially of Ondatje's *The English Patient*; but Wharton is liberated rather than frozen

into style and attitude by his apparent mentor.

The glacier itself is the principal image and metaphor: just as it slowly melts and recedes through the years, revealing its history and secrets, so do the characters of the novel evolve in their environment and make their impact upon it. It is a novel of progress – from exploration to exploitation by Trask who opens up the wilderness to tourism; from madness to maturity by Byrne whose quarter-century vigil on the glacier, waiting for a miracle, is redeemed by an emblem of toads' life after the horrors of the first world war.

Wharton layers his novel like the strata of the glacier: voices, modern and mythical, oral and written, real

and dream, ring true and clear. The clean, concise purity of the prose brilliantly reflects the complex multi-faceted style of the narrative. *Icefields* was awarded the Grand Prize at the Commonwealth Writers Prize for Best First Book for the Canada and Caribbean Region in 1996.

ICEFIELDS
by Thomas Wharton
Jonathan Cape £15.99, 206 pages

ORIGINAL BLISS
by A.L. Kennedy
Jonathan Cape £14.99, 311 pages

the Banff Mountain Book Festival in Canada, and the Commonwealth Writers Prize for Best First Book for the Canada and Caribbean Region in 1996.

Alison Kennedy, a Scottish

writer whose style is as plain and sparkling as granite on a clear winter's day, but whose subject-matter is as violent, passionate and physical as the Scots themselves. Her great strength is to identify and write about the dysfunctional point between wickedness and virtuous impotence.

Original Bliss is a collection of ten short stories and a novella – pit-stops in the vacuum of modern life, the void of love and the gravity-free zone of sex (literally in *Made Over, Made Out*, set in the airlock of a spacecraft.) This is serious writing, resonant and resourceful, satirical and sympathetic, wry and witty, physical and – occasionally – perverse.

Alison Kennedy grounds

herself in the physicality of the body and delivers it to the none-too-tender fantasies of the mind: the resulting anti-psyche, at that point "whaur extremes meet", is sexual and psychic dysfunction, strutting and realty. The rough heat of sex in her stories exists symbiotically with little parasites that feed on their host – the notions and ideas we all have, but which we are scarcely aware of when obsessed by the larger concept of love; are here picked off and identified, with an exquisite attention to the smallest detail.

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Alison Kennedy: pit-stops in the vacuum of modern life



ARTS

Evocative tales of two cities

Andrew Jack admires the photography of Frank Horvat

Fires in Channel tunnels aside, the centres of Paris and London may now be just three hours apart by rail, but an exhibition spanning the two cities demonstrates in many ways just how far apart they can seem.

The black-and-white images of *Paris-Londres, London-Paris* 1952-1962 contain a notable selection from an innovator who attempted to combine photojournalism and fashion photography, and comes more equipped than most to attempt the perilous path of cultural comparisons.

Born in a part of Italy which is now Croatia, Frank Horvat was of Jewish descent, with a Hungarian father and an Austrian mother. He was a refugee in Switzerland during the second world war, trained in Milan, travelled for two years in India, and then worked in London before settling in Paris in 1956.

As he explains in his introductory essay in the exhibition catalogue - his father, a doctor, spoke to him in German, his grandparents in Hungarian, patients in French or English, the servants in Serbo-Croat, and the carabinieri in Italian. Yet with all the richness of his background, and his experience on assignments in different parts of the world, the one place where his adaptability fell flat was in England.

He always felt as though he had "one foot on the doorstep", partly because he had no set of dreams or references of the country, in sharp contrast to Paris. Yet the unifying reason he was subsequently forced to relocate across the Channel was that the authorities would not grant a visa to his Italian fiancée who

had come to live with him in London.

Not that the experience apparently left Horvat bitter towards Britain or its people, whom he describes as containing "a precarious equilibrium between convention and eccentricity", and who were usually well disposed to his attempts to capture them on film.

He relates how his fashion photographs for British magazines were frowned on in France, but those taken in Paris were always accepted in London, "from which one can infer either the superiority of French taste or the greater receptiveness of English minds."

Although Horvat had greater cultural affinities with Paris, he is far from sentimental about the city, which he argues was nothing like his adolescent imaginings, and did not inspire passion in him, but rather was a place in which sensitivity mixed with ambition and interest, as well as "a dash of resentment and a definite dose of lust".

It also had the advantage, through a photographer's viewfinder, of "multiple facets": in any direction, from any street corner, "details pile up in the frame and are repeated as if in mirrors, disparate but always harmonious."

There is little doubt that the diversity, variety and beauty of Paris is well captured in these photos, with the additional contemporary pleasure of the lure of the exotic and the nostalgia of a past era. Almost without fail, the images are evocative and alluring, a chaotic Place de la Concordia filled with old cabs, buses and wrought-iron street lamps; a calmer Champs-Elysées

with pedestrians weaving between cars unguided by road markings; an aged metro crossing the Pont de Bir-Hakeim with the Eiffel tower as a backdrop; or a cafe in Pigalle, with pastis and beer in equal measure on the tables.

To this British eye, the photos of London are a little less evocative, perhaps because the images are more familiar. But in part, this probably also reflects Horvat's different experiences in the two capitals, with Paris becoming his "home" while London remained more alien, and because his photo assignments in each city had different objectives.

Some of the shots seem a little more clichéd, albeit too tempting for a foreign observer to resist: the policeman in his conical hat directing traffic; the cigar-chomping clients of the Cafe Royal in their dinner jackets; and the wizened faces in a series of East End market scenes.

His photos in Paris seem to reveal a deeper knowledge of the city, capturing less usual vantage points, or snapping such personalities as Charles Aznavour, Edith Piaf, Coco Chanel and Francoise Sagan in unusual

poses. In the UK, the subjects are generally anonymous and the material more predictable. Even so, he manages to subvert the inevitable shot in the City of London of a man in bowler hat with brolly, capturing him cigarette in mouth, attempting to retain a certain dignity as he runs along the road, trousers flaring in the breeze. In another example, he accentuates the impossibly rigid postures of stiff upper-lipped Englishmen at Windsor Castle by capturing a group of three, one of whose formality is accentuated

by the fact that he is wearing a neck brace.

He captures the concentration

of the time, by taking models out of studios, and photographing them without wigs, make-up and fake smiles.

Unlike the French photogra-

pher Robert Doisneau, there is no

controversy about whether some

of Horvat's images were posed or not. His pioneering skill was to

engineer situations in which

fashion models were placed in

ordinary surroundings, and then

wait for the spontaneous reac-

tions of passers-by.

Judging by some of the models'

expressions, they were not

always so happy with the

approach. There is also an initial

shock for the viewer at the artifi-

cial nature of these "directed"

fashion shots juxtaposed with

more classic "passive" images - a

moment, incidentally, which led

Horvat to be criticised and alien-

ated from many of his photojour-

nalist colleagues, including Henri

Cartier-Bresson.

Yet these surreal photos are

nothing if not entertaining: a

model on the rear of open-backed

bus surrounded by stony-faced

commuters; or another, glass of

wine in hand, in the old Halles

meat market, with burly butchers

around her in a mixture of

surprise, lust and amusement.

What does not always work so

well in the exhibition is the

attempt to link the images of

London and Paris together. Occa-

sionally, it offers unexpected

insights, such as the intertwined

couples in St James' Park prov-

ing they are no more repressed

than the Parisian lovers embrac-

ing on the banks of the Seine.

But then as Horvat himself

points out, his photographs were

taken at a time when magazine

editors believed pictures 'needed

to be read in a sequence to tell a

story, before people had the habit

of "skimming". He says he would

have found it curious in the 1950s

to arrange them together as the

current exhibition does. The

photos themselves are none the

poorer for that.

Frank Horvat: *Paris-Londres, London-Paris*, 1952-1962. Musée Carnavalet, Paris. Until February 23.



One of Horvat's post-war pioneering fashion shots, showing the reaction of the butchers of the Halles to a beautiful model in their midst

The novels of Joseph Conrad have a reputation for being unfilmable. Will the BBC's 'Nostromo' prove an exception to the rule?

As well plundered as possible

For more than two decades the FT television column has defended television's right to adapt - plunder, if you like - material from literature, stage drama, or any other source, and then to be judged not on whether the original medium has been faithfully served, but on the quality of the television created. Joseph Conrad was a great story teller and *Nostromo* is one of his longest, most complicated, and some would say, best books. At 9.30 this evening BBC2 begins a filmed adaptation, shown in four weekly parts, each of 75 minutes. If you stick with it through Episodes 1 and 2 you have a treat in store with Episodes 3 and 4, but some may not last the distance.

All the elements of good television are here. The cast includes big names: Charles Gould, the four-square English imperialist who takes his bride back to the little South American country where his father died, to re-open the family silver mine, is played by Colin Firth. Albert Finney plays a quondam Doc Holliday figure, a self-disgusted alcoholic with something to prove. Brian Dennehy, one of America's best character actors, is money-man Holroyd; and in the title role is Italian film star Claudio Amendola as Nostromo.

Under-horsed: Claudio Amendola as Nostromo

the inevitable corollary to co-production money, this being an Italian/British/Spanish/American effort, but for once the flags-of-all-nations element feels quite unexceptional since the story involves Britons, Italians, Spaniards and so on.

There are minor embarrassments, but not stemming from co-production. Early on Finney sometimes seems to be awfully busy Acting. Serena Scott Thomas, as the young Mrs Gould, is strikingly beautiful but her speech, stride, and entire attitude mark her out as a product of the late-20th century. There are occasional lapses in the script as when Giorgio says "Ah, you are looking at Garibaldi, the Italian hero" presumably to

ensure that we do not think it is Garibaldi the famous biscuit manufacturer.

The big difficulty, however, is that such a large number of factors have to be set up before the plot can make any sense: the political background, including church and government, the exploitation of people and resources, the complex character of Nostromo, the involved web of relationships between ex-parties. and more. This occupies most of the first two episodes, and those watching other than Conrad lovers may find matters somewhat slow, complicated, and even tedious. From Episode 3 they will find all the action they want - galloping bandits, torture, grand theft, revolution, the lot - but how many will persevere that long?

Christopher Dunkley

In the end it is difficult, and probably wrong, to avoid all comparison of book and screen. Of course it is possible to judge the BBC version in terms of television and say that, taken as a whole, it is a rather fine piece of work. However,

although *Nostromo* is an adventure story, Conrad, even more than most writers, is concerned not merely with what happens, but why.

Human motivation is top of his agenda, and it is the authorial voice that conveys this.

Open the book a few times at random, close your eyes and point to the page, and you find passages such as: "And he was courageous. It was a corrupt courage, but it was as good for his purposes as the other kind", or "The extraordinary development of the mine had put a great power into his hands. To feel that prosperity always at the mercy of unthinking greed had grown irksome to him".

How on earth do you con-

vey this on the screen if, like

99 out of 100 television people,

you refuse to use voice-over?

(John Mortimer has it snappily when he scripted the Granada version of *Brideshead Revisited*, but then Mortimer is primarily a writer of books). Dialogue and facial expressions can do a little, but they are impossible to control compared with the ease and facility of third person narrative. The answer, I am afraid, is that such adaptations will certainly make good and entertaining television drama, and all the action of the book can be used on screen, the full richness of human character and motivation will be missing.

The appeal of Conrad's fiction to the film-maker lies both in the intensity with which its scenes and characters are realised on the page, and in Conrad's use of narrative techniques which, for all their literary sophistication, are remarkably akin to those of photography. The attention to visual detail in the narrative is apparent from the outset. For instance, in his very first novel, *Almayer's Folly* (1886), the eponymous dreamer's attempts to obliterate the memory of his departing daughter include erasing her footprints from the beach. So, crawling along on hands and knees, Almayer fills in

Three films based on works by Joseph Conrad are scheduled for release this year: *The Secret Agent*, *Victory* and *Amy Foster*. Preceding these, television audiences will be treated to the BBC's four-part, six-hour version of *Nostromo*, which begins tonight.

For an author whose works have a reputation for being "unfilmable" Conrad has attracted an enormous amount of cinematic attention.

Since the first adaptation in 1919, nearly 90 films have been made of Conrad's works world-wide, reflecting both the truly international and his enduring appeal to filmmakers.

But, with few exceptions, such as Alfred Hitchcock's *Sabotage* (1936, based on *The Secret Agent*); Carol Reed's *An Outcast of the Islands* (1952) and Francis Ford Coppola's *Apocalypse Now* (1979; based on *Heart of Darkness*), adaptations have generally proved unsuccessful in their attempts to convey the complexity and the richness of the Conradian narrative.

For instance, in *Heart of Darkness* (1899), as Marlow, the narrator, prepares to recount his visit to Africa, the night-lights of the river traffic on the Thames are described as casting green, red and white flames on the water; within two

pages, these same colours

are recalled in the colours

used to designate the countries

to which he has travelled.

Whilst the moment, symbolically, precedes the reopening

of the mine, whose wealth

will ultimately come to

decide the fate of the prov-

ince, but it also admires

the transfer of Charles

Gould's devotion from his

wife Emily to the mine, as

she, like so many of the char-

acters in the tale, becomes

increasingly obsessed with

material interests.

Stylistically, too, Conrad's

fiction can be seen to lend

itself to cinema. Writing in

an age noted for its formal

experimentation, Conrad's

style often seems to replicate

the techniques of film. Thus,

in *Heart of Darkness* (1899),

as Marlow, the narrator,

prepares to tell the story,

the traces of Nina's foot-

steps: "He piled up small

heaps of sand, leaving

behind him a line of minia-

ture graves right down to

the water". The visual

SPORT

Sporting Profile

Tiger, Tiger, Tiger – the ferocious talent

The roar of applause for the new phenomenon of the golfing world is deafening and far-reaching, says Derek Lawrenson

It was in April last year that golf writers wondered whether Jack Nicklaus had lost his grip on reality. Nicklaus was giving his annual spring address at the Masters when someone asked him about Tiger Woods, his practice partner.

Nicklaus's face broke into a patriarchal smile. He said that Tiger Woods had fundamentally the soundest swing of any player that he had ever seen. Furthermore, he was his temperament and mental aptitude, Woods would win more Masters titles (10) than he and Arnold Palmer combined.

It seemed such a preposterous proclamation as to be worthy of mockery: why stop at 10. Jack? Why not make it 20? Naturally, when Woods went on to miss the 36 hole cut there was more ridicule at Nicklaus's expense.

There is none now, of course. Now the tenor of the remark appears prescient, on a par indeed with the comment of Bobby Jones a couple of generations ago when witnessing a young Nicklaus: "He plays a game which I am not familiar."

It is not exaggeration to say that in six months as a professional Woods has transformed his sport. As Sports Illustrated put it: "We're no longer talking about a golfer, we're talking about an era."

How does one explain the Woods phenomenon? After all, the game has seen precious talents before, like Severiano Ballesteros, and there will never be a winner to compare with Nicklaus. But no one, not these two or Palmer or Hogan or any of the other great names in the sport's history, had quite the impact of Woods.

Why? Because everything that golf lacked has been granted to this fresh-complexioned youth with a smile that could light up a coalmine. In a game where the winners are usually in their mid-30s, he is 21; in a sport where every winner of every major championship has been white, he is black; in a game where the accepted wisdom is that one or two victories a season constitutes a successful year he has won three times in 10 US tour events.

The effect has been to broaden the game's appeal far beyond its traditional boundaries. At the Mercedes Championship in San Diego last month, the cars tailed back for 15 miles to watch Woods play. The fact that the rain was coming down in biblical proportions and there was little chance of golf did not seem to deter anyone. Eventually play was abandoned for the day. Woods played one hole, a sudden death play-off for the title against his co-third rounder Tom Lehman.

In 14 years' reporting on golf I have never seen anything like it. I stood on the tee and scanned the faces that lined the short 7th in numbers that would have graced a Ryder Cup: the young and the old, people who have been watching golf for far longer than I, mixing with teenagers who three months ago thought it was a silly sport their fathers played. In every conversation, one word recurred, like a religious mantra: Tiger, Tiger, Tiger.

Now I am writing this piece in Australia, where the European Tour has just begun. Woods is 10,000 miles away in Phoenix, Arizona. Yet his picture adorns the front cover of The Australian newspaper, his name is on the lips of every player. News filters through that the showman has had a

hole-in-one, his second in four months as a pro. One hundred thousand people turned up to witness it.

How does a young man cope with such unanimity the messianic favour his gifts have brought? Because his whole life was preparation for it. His father Earl, a Green Beret in Vietnam, spent 21 years instilling into his son a self-belief so complete it must be terrifying to stand opposite him in competition.

It is quite a story: of how Earl Woods watched his best friend, nicknamed Tiger, on account of his fighting skills, succumb to a sniper's bullet in Vietnam; how when he returned to the US with his Thai bride, Kultida, he gave his new-born son his friend's nickname, and then set about ensuring that he lived up to it.

No two parents could be more suited to producing a prodigal. Earl taught his son the things that steal a man's heart when he spends three years in the jungle; Kultida passed on the serene wisdom of the Buddhist religion.

There is a wonderful story of Earl

'I believe that Tiger will do more than any man in history to change the course of humanity'

strapping his son into a highchair six months old while he hits golf balls; there is a photograph of Woods, aged five, already armed with a complete golf swing. Earl Woods told Sports Illustrated recently: "I believe that Tiger will do more than any man in history to change the course of humanity." You could say he has high hopes for his son.

Woods may certainly do more than any man to change the course of golfing history. Already he has rewritten amateur lore. He was barely into his teenage years when he started winning national titles. At 20 he became the first golfer to win the US amateur title three years in a row.

When he turned pro last August, the possibilities were clearly immense. There was not an equipment manufacturer nor clothing conglomerate which did not join the queue to sign him. In the end, he signed for Titleist and Nike, respectively. The combined bill for these two companies before Woods had a bit was \$60m.

To put into perspective the \$40m over five years in basic salary that NIKE paid, the biggest contract any golfer had previously earned was that given to Greg Norman by Reebok. That came to \$2.5m a year.

Naturally, there were some who did not share the faith of NIKE's chief executive Phil Knight. The company's share price even fell a couple of points amid concern that they had paid over the odds. Knight's response? "Watch this kid go. He is going to do for golf what Michael Jordan did for basketball."

Nike's first Woods advertisement was typically provocative, playing the race card. "There are still some country clubs in America that are not

ready for me, owing to my colour. Are you ready for me?" A conservative game threw up its arms in horror, probably because the spirit of the remark was true.

Just as the maelstrom of criticism reached its apex, Woods, in only his fourth start, won his first pro tournament. A fortnight later he won again, the Disney Classic, an apt title for this fantastical journey. All criticism was buried, all scepticism at the hype shelved. In the US, being a winner overrides anything. Even the country club set were besotted.

Two days short of his 21st birthday, on December 28, Sports illustrated named Woods their Sportsman of the Year. Now it was the turn of the supporters of the athlete Michael Johnson, the boxer Evander Holyfield, and the basketball player Michael Jordan to be outraged. Surely 1996 was their man's year? Possibly it was Jordan himself who assuaged them. He was asked whether he had any heroes.

"Only one," he said. "Tiger Woods." The Woods/Nike roadshow travels to Bangkok next week for a tournament that is totally meaningless in golf terms, but because Woods is in attendance has become a big media event. Woods playing golf in his mother's birthplace has already been lined up for a cover story in Sports Illustrated.

In time the Woods era may well be remembered for introducing the game to the computer generation; to inner-city kids who hitherto rarely looked beyond a basketball court; for rewriting the record books; heck, who knows, perhaps changing humanity. But what he has bequeathed the sport in the short term is the thrill of victory. No longer are America's young players satisfied with one win each season. The talented 26-year-old left-hander Phil Mickelson, who won four times last year and \$1.7m, describes his season as "good but not special".

Now the big championships beckon, the ultimate test of a golfer's art: such has been Woods' impact it will be something of a surprise if he does not win one this season. The evidence came on that California day last month, and Woods' one hole play-off against the Open champion, Lehman.

Who would you vote for? The veteran who had shown his mettle under more nerve-wracking occasions, or the willowy youth who hits the ball 30 yards beyond anyone but whose ability in that department had been neutered on this occasion owing to it being a short hole?

Lehman went first. The Open champion, the US Tour's player of the year in 1996, struck a shot that would have embarrassed mid-handicapper. It finished in the water that fronted the putting surface.

"All Woods has to do is aim for the middle of the green," said the television commentator Peter Alliss. True enough. But if Woods was the sort of player who aimed for the middle of a green there would not have been countless thousands of people prepared to put up with such wretched conditions.

Woods' six iron arced high into the sky before pitching 2ft high to the ground. It checked before spinning back to 6in from the cup. The roar was tumultuous, a sport embracing a talent that comes along once every lifetime.

"I might have been the player of last year," said Lehman. "But Woods is the player of the next two decades."



Rugby

Missing a creator's edge

England need a first-class outside-half like Gregor Townsend, says Huw Richards

There is no more grievous accusation against a proud Celt than that of wanting to be English. It carries implications of social pretension combined with a desire to deep roots and allegiances.

Nobody has ever suggested that Gregor Townsend suffers from this affliction. But he could be forgiven if the thought crossed his mind as he languished, wasted, at centre in Scotland's pre-Christmas internationals and their Five Nations opener against Wales.

The Scottish selectors have seen sense and restored him to his best position of outside-half, together with his most effective partner, the vastly underrated Bryan Redpath, for this afternoon's meeting with England at Twickenham. But for as long as the Scots have a highly plausible alternative outside-half in Craig Chalmers, who won his 50th cap against Wales, and a marked shortage of centres, the temptation to exile Townsend to the three-quarters will remain.

It would not happen if he were English. They have five international-quality centres competing for two places – one already committed by the choice of Phil de Giansville as captain. But they are searching desperately for an outside-half.

Will Carling's attempt to switch to the No 10 shirt earlier this season reflected this balance. One element, no doubt, was the desire to try something new and different. But Carling did not get where he is today without a firm grasp of rugby reality. As a centre, he is part of the fiercest selection battle in the England side. As an outside-half he could pursue an obvious vacancy.

It did not quite work out. Carling's appearances for Harlequins showed that, as an outside-half, he is still a terrific centre. No discredit to him – it is asking a bit much of even the most gifted 30-year-old to master from scratch the demands and habits of the most complex position on the field.

Carling is also aware that this is not a new problem.

He recently selected his dream England XV, a selection

predicted and justly packed with stalwarts of his own era. But not outside-half. For that position he went back to the Cornishman, Richard Sharp, whose last Five Nations appearance was two years before Carling was born.

It might be argued that

predictably and justly packed with stalwarts of his own era. But not outside-half. For that position he went back to the Cornishman, Richard Sharp, whose last Five Nations appearance was two years before Carling was born.

While the Scots command the creative edge they can hope

this displays an unsuspected sense of history – a fair case could be made for selecting Jackie Kyle for a parallel Irish selection or Cliff Morgan for the Welsh without implying that either country has since been devoid of No. 10 talent. Reality, though, is that England's pivots have not been in the class of the Celts.

We should dismiss any

notion that Englishmen are by some genetic quirk inca-

able of playing outside-half, liberating though this would be for selectors who are under pressure to find someone with a little more flair rather than the reliable chap who will kick goals, find touch and keep his forwards happy. Paul Grayson, today's choice following the pre-Christmas traumas of the hapless Mike Catt, fits the archetype.

England's forwards have ensured constant success in the Five Nations championship. They have compelled respect from southern hemisphere opposition but, fatally at the highest level, have rarely been able to surprise them. Give them a first-class creator like Townsend – or his Scottish predecessor of a decade back, John Rutherford – and it might have been a different story.

This is not certain. It is the way England play, as much as the limitations of those available, which has made their outside-halves look so ordinary. Their game has been built around copious, but slowly delivered, possession and firm adherence to a plan based

on control rather than individual initiative.

Rob Andrew, repressing more attacking instincts in the way that cricketer John Emburey forewore a more imaginative approach to provide England with a nagging, negative spin bowler who could tie up an end, fitted this game perfectly.

There is a strong element of chicken and egg in all this. England will struggle for a more expansive style until they find a world-class pivot, yet are unlikely to find him until they change style. An uncharacteristically imaginative leap may be required.

In this regard, it is too



Carling's choice: Richard Sharp, the Cornishman, is in the former England captain's dream XV

to Scotland. But while the Scots command the edge in creativity and imagination – qualities that keep an opponent guessing and apprehensive – provided by Redpath and Townsend, they can hope.

Even greater hope will be

in evidence at Cardiff where Wales, fresh from their best

unpredictable Arwel Thomas at outside-half and a clutch of recalled former rugby league players.

After disposing of a 12-year Murrayfield jinx, they take on their 14-year Irish one at Cardiff. England may be the likeliest champions, but Cardiff is where the brilliant entertainment should be.

How to Spend It

Fashion

It is the quirky cardigan for spring

Karen Wheeler says renew the colour palette and go for cropped styles

The cardigan is set to be one of spring's most irresistible fashion buys. But this is not the season to play safe and opt for something classic. The sensible cardigan – in plain beige, black or navy – has been eclipsed by a more striking genre: the quirky cardigan.

Following the success of the twinset last year, the cardigan has become a fashion item in its own right. The latest styles are designed to catch the eye with contrasting fake fur collars, rainbow stripes or vibrant check or Argyle patterns.

Moreover, with a little fine-tuning and a fresh colour palette, by trimming a few inches from the proportions and offering a wonderful array of colours, designers have turned a normally mundane item into something exciting.

At Liberty, Angela Quinrell, the senior fashion buyer, says: "The cardigan is one of the key items for spring. Think of the small, fitted, 1940s shape, which Marion Foale made her own, reinterpreted in beautiful colours – pale green, lilac, lavender blue or rose pink." As she points out, it is the obvious thing to wear with spring's floaty, feminine clothing.

Much of the new life injected into the age-old standby of every matron's wardrobe is due to the Italian designer Anna Molinari. Last season she showed an unlikely mix of cute, cropped styles with fake fur collars worn over fragile, floral print dresses – an eccentric look which has captured the imagination of others.

Clements Ribeiro, meanwhile, has revolutionised the traditional approach to cashmere design with cardigans in modern shapes and clashing bands of colour. Designers had fought shy of doing anything too bold or too fashionable with such an expensive commodity as cashmere but where the British duo have led, many others have followed.

The cardigan is part of the trend for soft, easy dressing. Fluid jerseys and knitted fabrics have been replacing stiff, wool worsteds for some time and the short, neat cardigan worn with a tailored skirt and belt makes a more modern alternative to the suit.

There is another practical reason for the current crop of cardigans – and that is to make this season's sheer and semi-sheer clothing more modest.

The mood was set at the Alberta Ferretti show where short, lacy cardigans in neutral colours were worn over sheer, floaty dresses, while delicate, cobwebby knits were layered over wispy chiffon layers at Dolce & Gabbana.

Even if you have ruled out the possibility of wearing transparent clothing, some kind of cover-up is still essential given the alarming number of camisole tops, slip dresses suspended from shoe string straps and one-shoulder necklines soon to be unveiled for spring.

"Crochet-effect cardigans look lovely with see-through, floral dresses," says designer Edina Ronay, whose delicate hand-knitted cardigans reflect the trend perfectly. "They also slide easily from day into evening – just add a necklace and you are fine for dinner." Moreover, as Ronay points out, hand-knitted cardigans last for years and seldom date, because they do not have lapels or shoulder pads.

Ballet-style wrapover cardigans look good teamed with spring's feminine, empire line dresses, bias-cut skirts and handkerchief hemlines. Skinny rib cardigans are also prevalent. Jig saw has V-neck styles in pretty spring colours while Alberta Ferretti's subtly coloured blush pink or lavender blue ribbed cardigan and sleeveless roll neck in a wool/silk mix is among the most luxurious.

Some versions are so finely knitted that they behave almost like T-shirts and are very alluring. The silky knit cardigans with Spandex (£430) in bright pink or turquoise in Ralph Lauren's cruise collection, for example, are thin enough to be worn on their own instead of a T-shirt – with the right underpinnings.

Watch out, too, for the advent of the cocktail cardigan featuring delicate open-work effects. Styles include a cropped, glittery gold V-neck



Cardi with short sleeves (£205) by Marni from Browns, or Edina Ronay's delicate lacy cropped cardigan in black.

Brown has some of the most irresistible cardigans in pretty colours by Italian label Pratico. Neat little cashmere crew necks (£415) in bright cornflower blue or pale pistachio green can either be worn on their own or with matching, cropped V-neck sweaters for an ultra-modern take on the twin-set.

To ensure that the look is really modern, it is important that your outfit makes the right fashion references elsewhere. These include a pair of high-heels – slingbacks or peep-toe shoes with flared heels are ideal since flats will look completely wrong – and perhaps some antique-looking jewellery.

Finally, although multi-coloured diamonds, Argyles and rainbow stripes are all very fashionable, there are exceptions to the rule and anything too fussy – or featuring ducks, sheep or other farmyard animals knitted in neat rows – remains the province of the breakfast TV presenter.

344 Kings Road, London SW3 (tel: 0171-352 3657). Popular for spring, the wrapover cardigan works well with the season's ultra-feminine, empire-line dress.

□ Striped cashmere cardigan, £312, and tank top, £280, by Clements Ribeiro. Stockists tel: 0171-409 7719. The 'must-have' cardigan of the season for the

fashion pack is Clements Ribeiro's colourful, striped cashmere version.

□ Pale blue Argyle cropped cardigan, £81.75, by John Smedley. Stockists tel: 0171-580 5075; mail order: 01629-534331. Argyle is one of the most popular patterns. Choose a cropped or short sleeved style for a modern look.

□ Lavender ribbed twinset in 80/20 wool/silk, £440, by Alberta Ferretti, from Browns, 23-27 South Molton Street, London W1. (tel: 0171-491 7833).

Delicately coloured twinsets designed to be worn with spring's chiffon skirts but would work equally well with a simple, tailored skirt for the office. Also available in blush pink.

Drawings by David Downton



John Hammond's large Edwardian house in north London is littered with assorted items of furniture that look like musical instruments.

There are cellos-shaped tables, saxophone-shaped compact disc storage units, bookshelves in the shape of a double bass, and lamp bases and shades enveloped in old sheet music.

Perhaps the most unusual item is a lavatory seat shaped like a viola.

Hammond, a keen amateur pianist and drummer, finds the smallest room in the house a convenient place for composing. What, therefore, could be more sensible than an extra wide seat shaped like a stringed instrument to aid the creative process?

"Some people think composing in the loo is beneath them," he says. "My view was that nobody had changed the shape of the lavatory seat for many years and here was a design that would be comfortable."

The lavatory seat – it is made of cherry wood with string detailing on the lid – is priced at £155 and is one of the best-selling lines of Hammond's London-based company, Instrumental Furniture.

Canadian-born Hammond, 41, who worked as an advertising executive before coming to this country, hit on the idea for the business when working for a relative of his wife who makes stringed instruments.

"My wife Rebecca is a professional cellist so we are both into music," he says.

"When our children were very small we realised that for safety reasons we would have to stop using the big mirror mounted on short legs that had been our coffee table. One day in the work-

shop I thought of the idea of a cello-shaped coffee table. The other designs – they are nearly all by Rebecca or myself – followed quite naturally.

There are now 35 lines in the Instrumental Furniture collection. After four years they are beginning to sell in this country. Hammond's products are found in music shops, double bass shelving is used as a display unit in a chain of Tokyo-based music shops. In this country, Hammond's products are found mainly in music shops, though he is seeking other high street outlets. Most sales are from his home in Queen's Park.

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man. He does the musical note coat-hangers, and light pulls, trable and base clef flower potholders, three note hanger baskets and French horn flower potholders all on his own," Hammond says.

The most popular items are the coat-hangers. The plastic versions come in boxed sets of four different designs comprising 10 hooks and sell at £14.95. The metal versions cost £28.50. The violin and guitar-shaped shopping boards, priced £26 and £34 respectively, are also good sellers.

Apart from the lamp shades, waste paper baskets and mini-chests of drawers, all covered in old sheet music, Hammond no longer has any part in the manufacturing process. He makes the former when the occasion demands, on the dining room table, with Rebecca and two sons assisting.

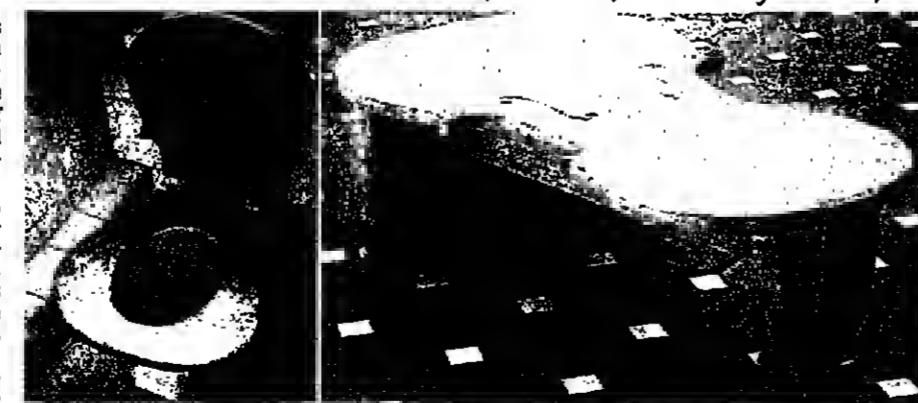
Hammond can also cover old chairs to order using the same process.

All the metal items are made by a 20-stone Essex-based blacksmith known simply as "Tiny".

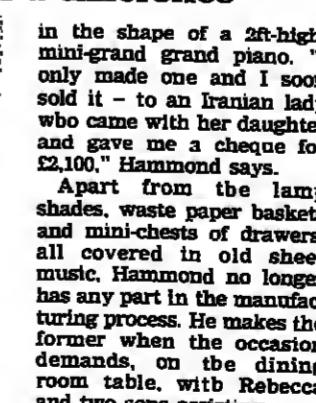
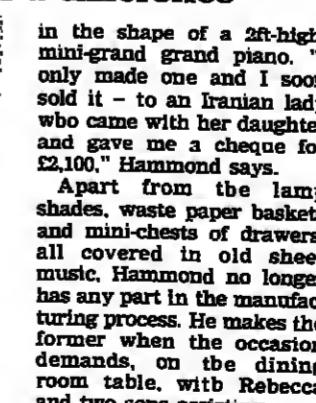
"He is the most amazing

In tune with house furniture

Clive Fewins discovers musical chairs, tables, lavatory seats, lamp bases... with a difference



Inspirational furniture: the lavatory seat shaped like a viola, cello-cum-coffee table and double-bass shelving



in the shape of a 2ft-high, mini-grand piano. "I only made one and I soon sold it – to an Iranian lady who came with her daughter and gave me a cheque for £2,100," Hammond says.

Apart from the lamp shades, waste paper baskets and mini-chests of drawers, all covered in old sheet music, Hammond no longer has any part in the manufacturing process. He makes the former when the occasion demands, on the dining room table, with Rebecca and two sons assisting.

Hammond can also cover old chairs to order using the same process.

All the metal items are made by a 20-stone Essex-based blacksmith known simply as "Tiny".

"He is the most amazing

Brocante

van der

Brocante

TRAVEL



Elegance makes a comeback: the \$175m project will transform the 84-year-old Beaux Arts landmark into a venue for New Yorkers, tourists and commuters to shop, drink and eat in

Destination Grand Central

New York's imposing station is being turned into a place to linger, says Alan Ponsford

It was probably nostalgia, but, maybe just force of habit, that made me turn off Lexington Avenue into Grand Central.

On such rainy mornings long gone by, when I lived on First Avenue and worked on Fifth, I would, en route from the former to the latter, cut through the sanctuary of New York's imposing main station to escape several blocks of shabby sidewalks.

But, now, surprise. What was going on? There should have been graffiti proclaiming "Christo was here". For it seemed the unconventional Bulgarian artist had moved on from the Reichstag and Pont Neuf to wrapping another of the world's most famous edifices.

The lofty main concourse had been turned into a giant marquee, its walls shrouded

top to floor, its 120ft ceiling hidden behind layers of polyester, nets and ducts. Most of the clutter of shops had been torn out. Yet still 500,000 people, half of them commuters, who use the terminal daily continued to scuttle unimpeded in all directions.

What is happening around and above them is the transformation of Grand Central from just a place to burry through into one to linger in and admire. The \$175m revitalisation project aims by next year to develop the 84-year-old Beaux Arts landmark building into a venue for New Yorkers and tourists to meet, eat, drink and shop, as well as greatly improving the lot of train and subway travelers.

Already the old waiting room has been given back its former ornate elegance, which had faded as long

haul trains transferred to Penn Station and homeless drifters moved in. Beneath the clutter of chandeliers the tall, handsome room is now the scene of seasonal markets, exhibitions and fancy dinners.

Cafés, bars and shops will offer quick service and relaxing meeting areas

But the most striking revitalisation will be in the main concourse. It will give the heart of the city a splendid new covered piazza.

Behind those massive drapes, it is being ringed on three sides by balconies to

house four up-market restaurants. They will be open-sided so that diners will look down on to the thronged Tennessee marble floor and up to the restored celestial ceiling.

Ten workers are spending eight months on a moving gantry reclaiming the ceiling's mural of zodiac signs and constellations, which include 2,500 gold stars against a cerulean blue background.

At the east (Lexington Avenue) end of the concourse the grand monumental staircase, originally planned but not built will now be added. Seemingly a mirror image of the one at the opposite (Vanderbilt Avenue) end, it will in fact incorporate small, subtle differences to disclose its modernity.

Above it, what used to be the most eye-catching fea-

ture of the station, the illuminated Kodak Colorama sign, has gone. Thus the three huge windows have been unlocked, admitting a cascade of morning sun and revealing a view of the UN building on the East River that New Yorkers have never known.

A new entrance from Lexington Avenue, to be called the Grand Central Market, will be lined with high-class food stores under glass canopies.

The station's lower level, the suburban concourse, is being radically remodelled in a style reminiscent of early 20th century train travel. Cafés, bars and takeaway food shops will offer both quick service and relaxing meeting areas. The renowned oyster bar will remain operational throughout the building work, which will open it up to sunlight by

removing overhead ticket offices.

The main visionary of this grand design is a Welshman, Cardiff-born and bred John Belle. His architectural partnership, Beyer Blinder Belle, has become a leader in restoring historic American landmarks, including Ellis Island, described in these pages last year. In rejuvenating a superb New York institution for the 21st century, he is determined it shall not become just a giant shopping mall relegating trains and travellers to a secondary role, as many believe has happened at Washington's Union Station.

"It is still going to be a gateway to a great city with train travel as its focus," he says. "That will never change."

Grand Central Terminal should indeed become a destination in its own right.

Skiing Mistaken for a champion

... well nearly, says Arnie Wilson on the FT Downhill Challenge

If only I had kept quiet about an accidental switch of bib numbers with Martin Bell, I could have caused a minor sensation in the Weisse Schuss, a downhill race for all-comers in the Swiss ski resort of Flims.

Bell, former Olympic skier and captain of the British Flyers, one of five teams of Financial Times readers in the race had picked up my bib - number 2311 - by mistake.

All I had to do was cruise down the 7km course (a shortened version because of thin snow on the lower slopes) wearing his number while he carried my number to the glory of a spectacular ranking among the 1,000 or more racers. But, in the end, I owned up.

Each team is released like a pack of greyhounds from the top of the Vorab glacier at one-minute intervals. As our team of five hurtled down the opening schuss - the steepest part of the race - I watched Bell receding rapidly into the distance. The rest of the team jostled for second, third and fourth place (only the first four in each team qualify).

It is not often that one has the chance of skiing behind a world-class downhiller in a real race, so I savoured the few seconds while Bell remained in sight.

I could have borrowed Bell's racing cat suit for the race, but I had decided on discretion. Besides, I did not really want to be travelling much faster than I already was.

Intent on ensuring that I was not overtaken by any of the 20 or so FT readers taking part in the FT Corporate Downhill Challenge, within the Weisse Schuss race, I remained in a racing tuck until my back started to protest.

Anna Walker, the television "action-girl" who presents Walker's World, chose this moment to steam past me. How could this slip of a girl have developed sufficient momentum to overtake 15% stone of brawn?

Bell explained later: "In theory, your weight should have carried you faster. But we found that in downhill racing, skiers with long, lean bodies often went faster because they could tuck themselves into neater packages."

Indeed, Bell's brother Graham, Britain's best hope in the downhill at the next winter Olympics in Nagano, Japan, is taller and lighter than Martin but a "better gilder".

With a time of six minutes and 47.99 seconds, I was

happy to finish "only" one minute and 25 seconds behind Bell. I felt quite smug. The other FT teams were soon at the finishing line to join us for a celebratory drink in the sunshine at the bottom of the Mutta Rotunda lift.

I'm really miffed that Nigel beat me, even though it was only by a second and a quarter," puffed Will Sketchley (seven minutes and 51 seconds) of the Slothful Slopers. "He only arrived last night, he's scarcely seen the course, and I was hoping to take him to the cleaners."

Francis Ellison, a banker and the only British skier to take part in all four of Switzerland's all-comers races - the Weisse Schuss, the Murren Inferno, the Belalp, and the Saas Fee Volksabfahrt - managed the fastest official British time of the day (six minutes and 24 seconds) and a wooden spoon on behalf of his team.

Later, still high on adrena-

Anna Walker, the television 'action girl' steamed past me

In, we skied what would normally have been the lower half of the course - the fearsome Platt Alva. Here I quickly got my come-uppance, encountering an embarrassing cocktail of my most feared conditions: icy moguls on a double fall-line in bad light with stiff, lumbering downhill skis.

Bell, of course, skied it immaculately, leaving me feeling like a raw beginner. As all skiers know, fortune on the slopes can change as quickly as the weather.

The night belonged to Byron Rose and his Touchbase Tigers, the official winners of the FT Challenge. The partying went on late into the night. At 9.30 the following morning, when Bell had agreed to take the group skiing again, they were all either still asleep or recovering from the excitement. No one turned up.

The FT Corporate Downhill Challenge, in the Weisse Schuss race, was organised by Powder Byrne, 4 Alice Court, 116 Putney Bridge Road, London SW15 2NQ (tel: 0181-871 3300). Arnie Wilson flew with Swiss Air, 1 Swiss Court, London W1V 4BZ (tel: 0171-434 7300), and stayed at the Hotel Mira Riva.

Off the Road

Win some - lose more

Nicholas Woodsworth finds that nothing is real in Las Vegas

It was just after sunset when I rolled out of the Nevada desert into the bright lights of the Las Vegas.

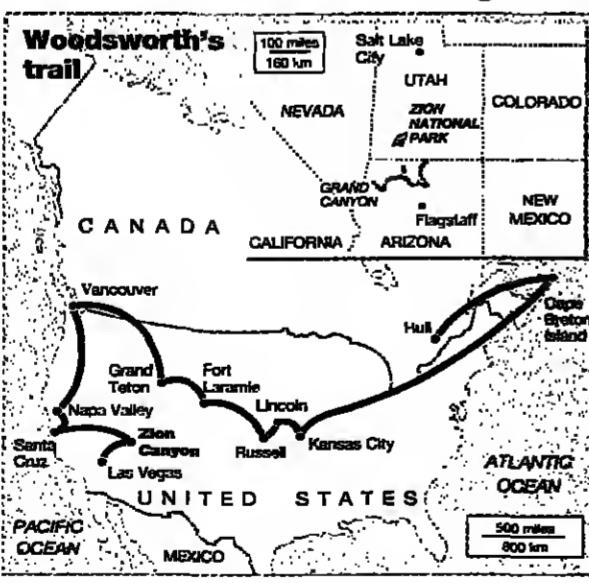
In my own mind I was James Bond, suave, elegant, a character who, with cool daring at the gaming tables, was about to raise eyebrows. In reality, I suppose I may have cut a somewhat less imposing figure.

Who, I ask you, can camp in the back of a Volkswagen van for weeks on end and come out looking entirely suave? I was bleary-eyed and rumpled. There were ketchup stains on my trousers. My unshaven chin had taken me a day, perhaps two days, beyond designer-stubble chic. Not even my Marks and Spencer sports jacket, dug out ready-pressed from under my mattress, gave me the *slam* I was hoping for.

Was that a cruel smile of derision thrown my way by the uniformed chauffeur of the white, stretch limousine sweeping by? I had to admit that, seen under the great blitz of neon outside, my van was not quite Aston-Martin quality - multiple coats of desert dust could do nothing to hide her rust spots and missing hub caps.

Never mind. I ignored the lime and gazed instead at the blinking marques, the illuminated pleasure palaces, the flashing electronic billboards I was passing.

Tom Jones was appearing at the MGM Grand in a spe-



cial return engagement.

Engelbert Humperdinck was singing at Bally's. The Radio City Rockettes - 24 dancers, 48 legs - were stepping out at the Flamingo Showroom. On and on it went, down both sides of the palm-lined boulevard, one glittering establishment after another - the Stardust, Luxor, the Desert Inn, the Tropicana, Aladdin, the Sahara... I parked, gave a last hasty dab at the ketchup spots, and stepped out into the star-studded magic of the Las Vegas night.

Immediately, I was brought up short. I seemed to be the only person in the crowd with any dress sense.

Where were the dinner jackets, the dully twinkling cufflinks, the slim feminine silhouettes I had expected around the roulette table?

Most of the silhouettes I could see were overweight and in track-suits. There were punters in shorts, in jeans, tank tops, nylon windcheaters, polyester pants, Red Sox baseball caps.

Where were the dinner jackets, the dully twinkling cufflinks, the slim feminine silhouettes I had expected around the roulette table? They do exist in Las Vegas, of course, along with blackjack and other games that allow Bond-like characters to display sophistication, daring, even skill. But as I followed the crowds through one vast, thronged casino

gaming room after another it was not sophistication that came to mind. Nothing came to mind, in fact; nothing could amid the endless rows of mindlessly clanging, beeping, coin-spewing slot machines. Easy to play and requiring no skill, the "slots" are Las Vegas's bread and butter - almost a quarter of a million of them bring casino owners more than 70 per cent of their gambling profits.

No matter, I said to myself, abandoning the idea of spinning wheels, little white balls, and vodka martinis that were shaken, not stirred. When in Rome...

Like everyone else, I would drink beer out of the bottle and play the slots.

A couple of hours later I was still there, a small plastic bucket of coins in hand, staring zombie-like at the slot machines. Easy to play and requiring no skill, the "slots" are Las Vegas's bread and butter - almost a quarter of a million of them bring casino owners more than 70 per cent of their gambling profits.

One never loses consistently. One wins some, then loses more. I moved from the dollar machines to the quarter machines. I continued losing. I was desperate. I finally found myself in that section of the casino, frequented by little old chain-smoking ladies doggedly playing three machines at a

time, where you can still win a fortune with a nickel. I did not decide to quit before I signed the house away.

Surely, I said to myself as I wandered down the sidewalk, hands deep in now miraculously light pockets, there is more to Las Vegas than that. The city is not just a marvellously efficient money-making machine. If 29m hard-working Americans come to Las Vegas every year knowing full-well the odds are stacked against them, I reasoned, the place has got to offer something other than bankruptcy. What?

How about waterfalls, for starters? There is not a self-respecting establishment on the strip that does not have extravagant, luxurious waterfalls of some kind - in the bone-dry desert, they are the very essence of showy Las Vegas profigality. I walked through the Flamingo - it had splashing waterfalls, lush tropical gardens, cockatoos, waddling penguins and, of course, pink flamingoes. The Mirage, on the other hand, had waterfalls, dolphins and shark pools, and in the middle of a man-made lagoon, a volcano that erupts at regular intervals.

Treasure Island has the most spectacular water spectacle of all - a full-sized Caribbean port where four times a day at the end of a great battle a British galleon is sunk by pirates. It is enough to make you wonder in and begin playing the slots.

But that is just the beginning - fantasy, illusion, and the willing suspension of disbelief has no end in Las Vegas. The entertainment and gaming capital of the world, as this city likes to style itself, is as gotten-up and gaudy as a Bombay film. Caesar's Palace has water

effects, too; its Cleopatra's Barge night club is so artificially contrived that it advertises the water it floats as "real" water. But its decs pale when compared with the fakery practised at Caesar's Magical Empire, \$50m worth of brand-new, 2,000-year-old luxury Roman catacombs. From the shackled skeletons on the walls of "Sanctum Sanctorum", to its toga-draped waiters, to its stone-carved telephone booths, it is the purest and most tasteless of Las Vegas schlock.

Apart from the ringing-up of casino profits, nothing is real in Las Vegas, and that is the way people prefer it. It allows even the most ordinary Americans, if only for a weekend, to imagine themselves whomever and whatever they like.

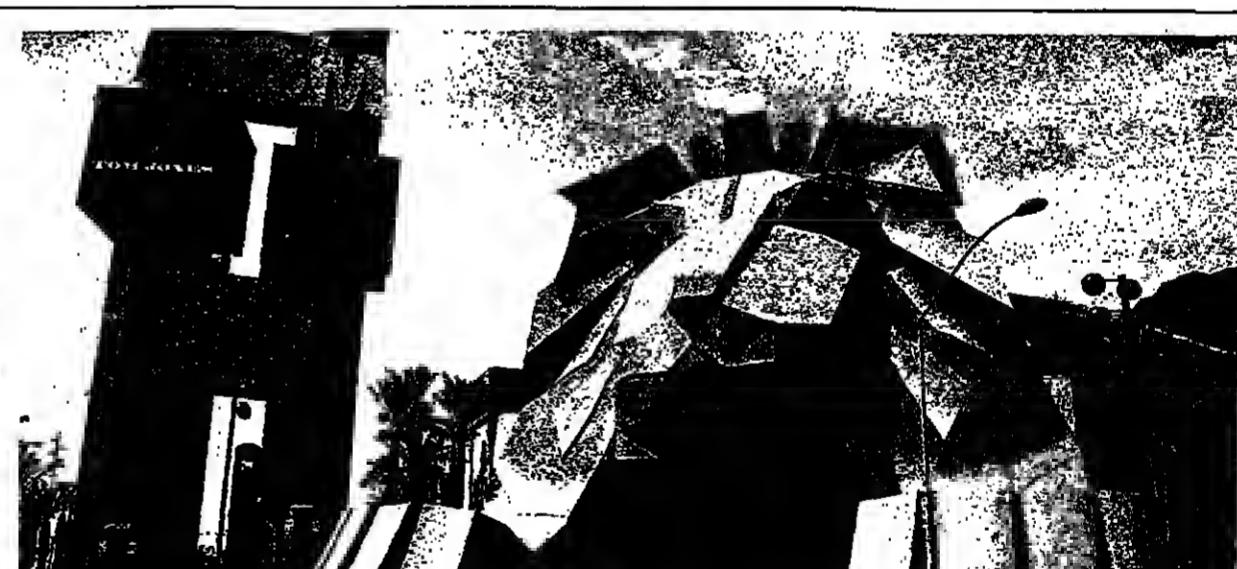
In Cheetah's, a 24-hour, lap-dancing bar, I met Fantasia and Cayenne: for a small

consideration slipped into the side of their G-strings, they will make you feel like a sultan in his harem.

At the Imperial Palace I met Elvin Presley, or at least the man who impersonates him at the Palace's Legends in Concert stage show. After the performance, he was mobbed by dozens of hysterical middle-aged women.

Between swoonings, Elvin managed to get a few words to me. Apart from a good shimmy-shake in the hips, he said, there was really not much to this business of make-believe.

So be it, I decided. I took myself back to Cleopatra's Barge. There I strolled up to the bartender and, assuming a suave and elegant manner, asked for a martini - shaken, of course, not stirred. He looked at me, surprised. This being Las Vegas, he would not have dreamed of anything else.

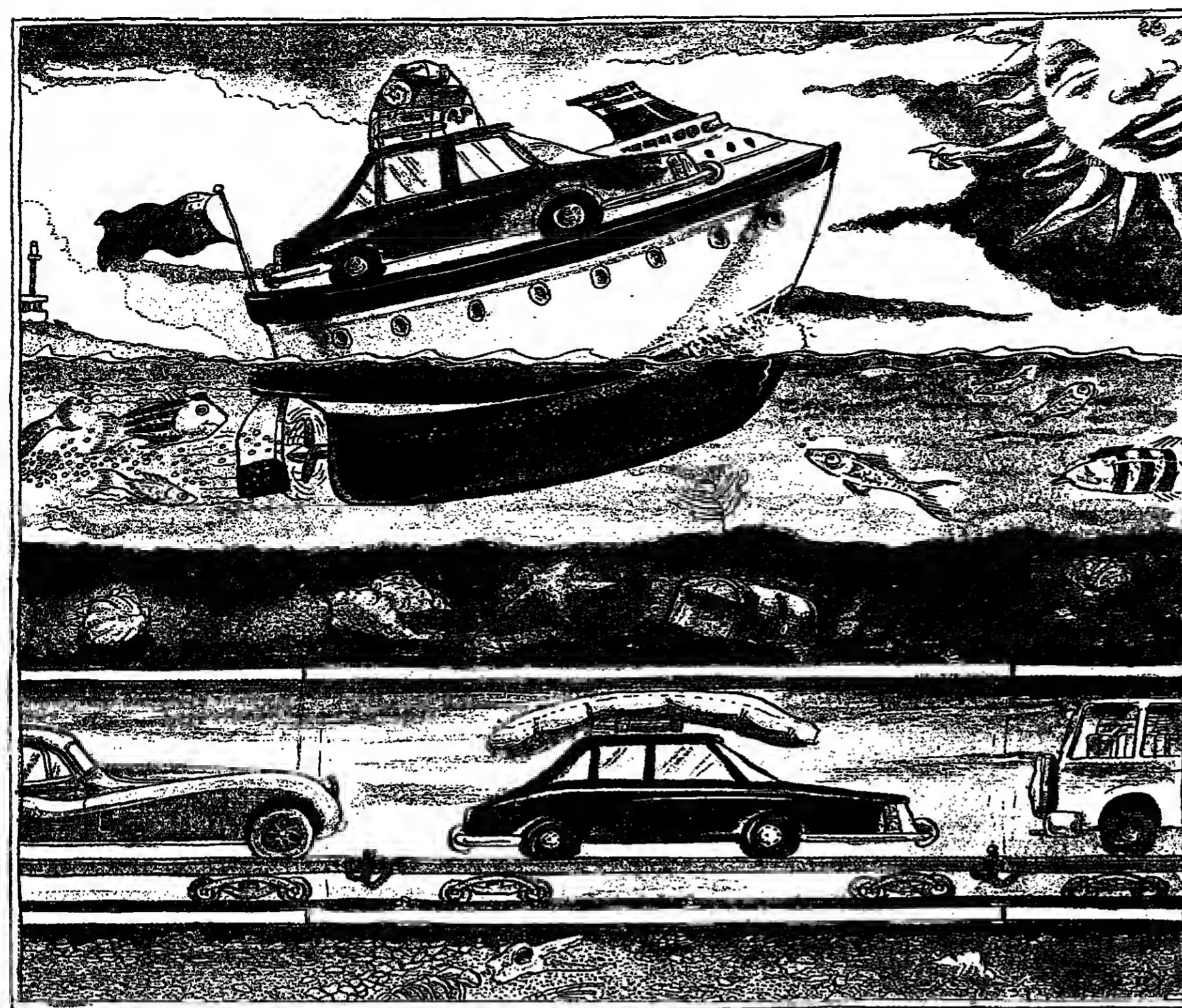


It's not unusual: Tom Jones adds to the glamour of the MGM Grand in Las Vegas, with its Hollywood themes

Michael Moran

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MOTORING



Le petit déjeuner sur la mer

In part one of a series on motoring holidays, John Griffiths tells how he prefers to cross the Channel

To take your car on holiday is one of those delightfully ambiguous phrases that implies you both need a break. It contains an element of truth. A car which has spent most of the year in the stop-start of the daily commute will be reinvigorated as much as its owner by a long, uninterrupted high-speed run to the sun.

The case for taking one's own transport on holiday from the UK, at least in Europe, is as strong - perhaps stronger - than at any time in the past.

The choices of holiday that have opened up on the Continent, as the barriers of central Europe have come down, has broadened considerably and become more dependent on having personal mobility on the road.

To explore the beauties of Prague or Budapest, and the meanderings of the Danube, is now almost as accessible as dawdling in the Dordogne - and no less dependent on the private car.

As one-stop beach holidays have lost their allure, helped along by the remorseless growth of air traffic delays, the message has not been lost on the vacation-bound British. Motoring organisations estimate that 2m will take their

cars, caravans and campers across the Channel this year.

By the time most are ready to depart, the Channel tunnel haze will be a fast-fading memory for everyone except Eurotunnel's

The number of passengers using the tunnel reached 13m last year, up from 8m the year before. The tunnel accounted for nearly half the total cross-Channel car market.

For millions of car drivers, Le Shuttle has fundamentally changed the game in terms of who pays the ferryman and, more importantly, how much.

Le Shuttle is not quite ready to publish its summer holiday fares. But the 1997 offers of its sea-going rivals already reflect the savagery of the price war.

Book early, and the bargains are legion. Pay up by February 28 and £26 will buy a peak-season return crossing for a car on any of Stena's short cross-Channel routes: Dover-Calais, which accounts for 80 per cent of all cross-Channel traffic, and Newhaven-Dieppe. P&O is charging a niggardly £1 more. Both represent huge discounts on the prices in the brochure last year - a P&O peak return was £336 - and even on those for 1997 (£268, again P&O). Sea France has £79 return crossings for those who travelled

cars, the company at the same price last year.

So almost anyone who pays full price this year is likely to be travelling at short notice or has done no homework at all, or is not usually allowed out alone.

The less cheerful message is

Anyone who pays full price is likely to be travelling at short notice or has done no homework

that, if a Continental holiday by car is something indulged in only occasionally, then the time to act is now. By the end of March, we should know if the Monopolies and Mergers Commission has approved a merger on the Dover operation of P&O and Stena, in response to competition from the Channel tunnel.

If, as seems likely, the merger gets the nod, a new summer fares

brochure will be rushed out.

The terms are hardly likely to be as generous as those on offer now. But the competition mentality - even for those out of the immediate firing line - has led to other ferry fares being cut, in Brittany Ferries' case, for example, by an average 13 per cent.

Which cross-Channel mode to pick, however, is likely to involve preferences other than price differentials, for Le Shuttle's are unlikely to stray too far from those of the ferries.

For those whose holiday does not start until the first menu *dégringolade* is wreckage on the tablecloth, the tunnel undoubtedly provides a flying start. Starting at the same UK departure time, the tunnellers can be well down the autoroute to Paris before one of Stena's finest has even tied up.

But for this motorist, at least, there is a better way. A 7.30am Dover-Calais ferry will do nicely. Park the car, grab the papers and head for the ferry's best restaurants. Time was, pre-tunnel, when the ferries on the short crossings could have taught a British Rail buffer a thing or two about the "dietary" breakfast the kind you looked at for a minute to be put off eating for a week.

Now, they are superb. On both

P&O and Stena there is now the equivalent of airline club class; both companies' vessels proudly carry Les Routiers, Automobile Association 5-star and other all-military accolades. If there is an occasional off day, I have yet to encounter one. The "full house" traditional English breakfast from either is as fine a creation as in any hotel; the staff are fully trained in all the niceties of serving it and best of all, appear genuinely to enjoy the job - a change if ever there was one.

If there is a threat to this appealing scenario, it comes from the ferry operators themselves. In its anxiety not to lag too far behind Le Shuttle, Stena, for example, has introduced super-fast ferries like the Lynx III which can whisk 150 cars and 600 passengers across the strait at nearly 50 miles an hour. Breakfast is still there on Lynx III, but it is no longer quite so leisurely. There is a hint of haste to those on slower vessels, is the perfect brace for the long slog south.

Stena could have saved itself a lot of cash. Like a lot of holiday travellers, I suspect, I'd rather have the umpteenth cup of coffee... Next week, Part II: Do not upset a French policeman

Motorcycling

Fear not the biker - he travels in peace

Peter Whitehead makes the case for road-users who are always fighting others' first impressions

My daughter's cough had worsened and if the family was to get any sleep that Saturday night I would have to reach Boots the chemist before it closed.

I had 20 minutes. Boots was 15 miles away. Only the bike would give me a chance.

Leather on, boots on, helmet on, start it up and I was away in search of a humidifier - a plug-in device that puffs out steam to moisten a coughing child's air passages and simultaneously loosens your wallpaper.

Dual carriageway speeds nearly all the way left me

with four minutes to park and burst in before the shop's shutters came down for the weekend. I am a stickler for parking legally and with a motorcycle it comes easily.

Boots was still open and I charged in - 6ft 2ins of black leather and determination. Shoppers scattered, assistants took cover.

Would anyone help me find a humidifier?

Theo I experienced their over-compensation. As soon as the staff realised that I came in peace, I became top priority. They said: "Of course, I can help, sir." (to me) and "I'm sorry, I'm serving this gentleman" (to other customers).

Motorcyclists who double up as fairly normal beings experience this pheomenon all the time. Fear and loathing at first sight turns to relief and a friendliness far beyond that which the occasion demands.

Some motorcyclists are best left unaggravated (as indeed are some car drivers) while some "professionals" - dispatch riders, pizza deliv-

ers - allow their work to make them more aggressive and less polite than might be wished for.

But while ordinary riders are, for the most part, among the better behaved road users, bikers are given fuel aplenty for feeling very much outsiders. In heavy traffic, there is always the odd car, van or lorry driver happy to make room for a motorcycle but there are many more who will inch out of their intended path just to block your progress.

It is often said that drivers should gain first-hand experience of motorcycling before being allowed on the road. It would certainly open their eyes to the serious dangers to which their dis-courtesies expose us but I feel that is going too far.

Education might be enough. Let drivers know, for example, that motorcyclists are taught how to overtake stationary traffic; it even has a name: filtering. Let them know, moreover, that bikers will fail the test for their full licence if they do not make such progress.

around them. They are more alert as they have more things to do on a bike - and because their lives depend on it.

And drivers should be made to realise that motorcyclists, far from worsening road congestion and pollution, are alleviating the problems. They take up less

space, take less time for their journeys and use fuel more efficiently.

Think about the length of the jams if, on any given day, every biker used a car instead.

Think about the city-centre parking mayhem that would follow if every motorcycle leaning at rest on the side of the road were replaced by a car.

Bikers are doing all other road users a huge favour. Yet signs of gratitude are often looked for, seldom seen. And simply because of our appearance - black is the uniform colour because camel or khaki would quickly turn black anyway, not because of any ill intent - we are expected to put up with almost anything.

I have an example. For

some time, blodous slime

emerged from cracks in the

giant brickwork supports

that hold up Southwark

Bridge, beside the FT's

offices in London. Looking

three parts primeval and two

parts plain evil, the beige

sludge trailed down the

walls and gathered itself on

the tarmac.

And with a little effort, most days I get them.

water-skiing. These are the only people struck with the myth that 4x4s are "recreational vehicles." Which, of course, to them, they are.

Russell's friends who tour the continent tell him that France is full of Citroën AXs and BXs with four-wheel drive that are unknown in Britain. He thinks they would be of more interest than "American gas guzzlers, unless you have someone else buying your petrol".

A good point, though it has to be said that four-wheel drive versions of normal road-going cars (for example, the Fiat Panda, Ford Sierra and Granada, Peugeot 405 and even Audi Quattro) have never attracted many buyers in Britain.

Subaru's faith in all-wheel drive cars is undimmed. Its Justy, at well under £10,000, and its equally affordable Impreza hatchbacks and Legacy estates tackle snowy roads and hills with confidence and economy. When winter is over, they are nimble, sure-footed and safe and just as comfortable as any two-wheel-driven rival.

Stuart Marshall

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Manners maketh man

And that includes the motorist, suggests Stuart Marshall

For golfers, etiquette means replacing divots on the fairway, removing pitch marks from the greens and not holding people up by slow play. And for drivers? Is there such a thing as motoring etiquette? There should be; it would make life on the road more pleasant and less perilous for us all.

Correct Conduct, or *Etiquette for Everybody* is the title of a pocket-sized volume I picked up the other day for £1 at a second-hand bookshop. It was published, priced one shilling (6p), as one of a series in 1920s. The strict rules of etiquette prescribe a nod: the fact that she is of the opposite sex suggests that his hat should be lifted. We advise him to raise his hat and not nod." So there.

There are chapters on proper dress - "to be unkempt is to slight those whom you are visiting" - and eating: "do not use the fork as a navy does a shovel". On casual encounters, the book admits that a man who meets his parlour maid in the street is in a quandary. "The strict rules of etiquette prescribe a nod: the fact that she is of the opposite sex suggests that his hat should be lifted. We advise him to raise his hat and not nod." So there.

"Do not say goodbye to your friends on the pavement while an uncomplaining conductor is waiting to start the bus or tram," says the section on public transport. "And remember that the raising or lowering of a train window should be at the discretion of the traveller who sits next to the door and faces the engine."

I thumbed the pages eagerly to find out how a car driver was expected to behave 75 years ago. Should he, perhaps, raise his hat before giving a jay-walking lady a warning toot on the Klaxon? Did a gentleman in a motor car allow a horse-drawn carriage to take precedence at a crossroads? I shall never know because motoring was too much of a minority activity then. The author, a Mr M. Woodman, gave it not a single mention.

Let us, then, move on to 1997, with the car used for 90 per cent of all passenger journeys and trucks shifting the same proportion of the nation's freight. What advice would Woodman have for drivers and other road-users? I like to think that, for a start, he would say: "Do not drive through towns and villages too quickly; it is ill-mannered, potentially dangerous and positively illegal. Frequently, it is also pointless. You arrive at a red light five seconds earlier that you would have done if driving considerately and then have to wait that much longer to get moving again."

Do not forget that towns were created by and for people, not vehicles. Pedestrians' feet or cannon into them. So why do it in a car, when the practice is dangerous as well as discourteous? When using the radio or tape player in your car, remember that it is for your personal entertainment. Lower the volume to a reasonable level. Otherwise you will cause great offence to passers-by who may not share your taste in music.

Do not leave away from the traffic lights with spinning wheels and screaming tyres. It is not clever; merely a demonstration of how an inadequately trained chimpanzee might drive a car. Onlookers will regard the noise and pollution you are causing as a sign of your arrested development, probably aggravated by an unhealthy taste for reading too many "go faster" motoring magazines.

Perhaps it is just as well that Woodman is no longer with us. If he were, he might decide that trying to improve the manners of many motorists was already a lost cause.

Recreation? You must be joking

Writing from Gatehouse of Fleet, Scotland, J. E. Russell chides me for "promoting a myth fostered by an ignorant motor industry that 4x4s are recreational vehicles" when describing Ford's new Explorer recently. In Gatehouse, 4x4 on-off-roaders - mostly Japanese makes with 1.6-litre engines - are, he says, run by the doctor or the vet.

"Recreational? You must be joking. They are the tools of their business. For recreational motoring they use their luxury saloons."

Russell does not say what kind of 4x4 he drives but I suspect it must be a Suzuki SJ410. "Pensioners like me who live up hills need 4x4s to get about. A 1-litre engine does me well enough. A big advantage of a 4x4 in summer is its higher ground clearance, enabling us to go on forestry tracks. We use them for recreation when the weather is good, but of necessity when it is not."

"We get the city expense-account gentry in Range Rovers and their equivalents, who come towing expense-account boats for

water-skiing. These are the only people struck with the myth that 4x4s are "recreational vehicles." Which, of course, to them, they are.

Russell's friends who tour the continent tell him that France is full of Citroën AXs and BXs with four-wheel drive that are unknown in Britain. He thinks they would be of more interest than "American gas guzzlers, unless you have someone else buying your petrol".

A good point, though it has to be said that four-wheel drive versions of normal road-going cars (for example, the Fiat Panda, Ford Sierra and Granada, Peugeot 405 and even Audi Quattro) have never attracted many buyers in Britain.

Subaru's faith in all-wheel drive cars is undimmed. Its Justy, at well under £10,000, and its equally affordable Impreza hatchbacks and Legacy estates tackle snowy roads and hills with confidence and economy. When winter is over, they are nimble, sure-footed and safe and just as comfortable as any two-wheel-driven rival.

Stuart Marshall

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FOOD AND DRINK



Cookery

Spare a thought for the prized spud

Philippa Davenport says it is time we were reacquainted with one of our more staple foods

The frontispiece of Gerard's *Herbal*, dated 1597, shows the author holding a flowering sprig of what has become the third most important crop in the world, the potato.

Rice, bread and other wheat products, polenta and derivatives of maize, all have their fans, and true Scots believe good mornings begin with porridge oats. But taking Britain as a whole, the potato is our best loved comfort food, the only ingredient most people eat as part of their main meal daily.

Why, then, if we claim to like potatoes so much, are we so careless about them?

Prized potato varieties were traditionally handed down from mother to daughter in Chile and Peru as part of a bride's dowry, and as many as 50 different sorts might be planted in a single field, a diversity designed to guard against devastation by pest, disease or adverse weather conditions.

The tragedy of failed crops and subsequent famine in Ireland ought to have taught us the importance of biodiversity, but virtual monoculture is widespread in Britain and Ireland, and our children risk growing up potato ignorant.

How many schoolchildren

today can name more than half a dozen potato varieties, or even one or two? I suspect most have never seen earthy, freshly dug potatoes, may not even know that they grow underground. They recognise potatoes only in cooked or supermarket guise - as packets of crisps or bags of raw crinkle-cut chips in freezer cabinets.

To allow the next generation of cooks to become so distanced from the reality of one of our main staple foods is scandalous. Some basic understanding about food is an essential life skill, and I would like to see any school with a patch of spare ground turn it into a vegetable plot to be tended by pupils and teachers. Primary school children are not too young to benefit.

If growing is out of the question, the potato lesson should begin in the classroom with handling a selection of "dirty" potatoes, discovering the shapes, sizes and colours that distinguish one variety from another from flaky paper-skinned, kidney-shaped Jersey Royals to round, prettily flushed, deep-eyed Kerr's Pinks.

Children should be taught to recognise quality and freshness, to look out for potatoes that feel firm and heavy for their size. They

should take part in tutored tastings, to assess the different flavours of different varieties (and compare organic versus ordinary specimens within a variety). They should explore the characteristics of floury versus waxy potatoes and the cooking methods most suitable for each type.

It has always puzzled me that a child's first cooking lesson, whether at home or at school, tends to be in the cake category: rock buns, rice crispy chocolate clusters et al. Why such perverse determination to encourage a taste for empty calories and invite potential dental caries in our children?

A sweet-tooth may be acquired more quickly and easily than a love of vegetables, but though many children may at first hate greens and carrots, I have yet to meet the child who refuses mashed potato. Mash is a winner - and teaching a child to make it is probably the single most useful cooking lesson he or she will ever receive.

The technique is not difficult or so lengthy that boredom will set in. The transformation from solid potato to mash delights young cooks. The ingredients are cheap, the results nutritious, comforting and delicious in their

own right. Once learnt, dozens of other recipes follow naturally in its wake, building up easily a solid repertoire that will stand the home cook in good stead down the years.

Basic mash can be varied by adding different flavourings (garlic, mustard, saffron or grated cheese, for example), and any of these varia-

Many children recognise potatoes only as packets of crisps or bags of crinkle-cut chips

tions can be turned into a sloppy, French-style potato purée by thinning it down with extra liquid or fat.

Another favourite trick is to replace up to half the potato with a second vegetable. Celeriac, leeks and parsnips are particularly popular for this purpose.

Mashed potato is excellent for thickening soups. Simply crush the spuds into the cooking liquor, using stock

or milk instead of plain salted water according to whim or recipe. Classics include a mild boiled onion and potato soup made with milk; a stock and potato soup finished with plentiful flecks of peppery green watercress; and caldo verde, in which thin, salt-watery potatoes and their liquor are ladled with a handful of finely shredded cabbage, optional snippets of chorizo and a cold swirl of virgin olive oil.

For summer eating, the addition of leeks and cream to a basic potato soup produces elegant crème Vichyssoise. I am especially fond of herb and potato variations on the theme; both chilled lovage Vichyssoise and a creamy fragrant green coriander soup feature regularly on my menus.

Leftover mashed potato is so useful that many cooks always make more than they need for one sitting, with future meals in mind. A blanket of mashed potato will roof fish, cottage and shepherd pies. A nest of leek and potato purée with hard-boiled eggs slipped into it, masked with cheese sauce and browned under the grill, makes soothng *Angussey* eggs.

Extra ingredients can be worked directly into cold

mashed potato to good effect. Think of hubble and squeak, fish cakes, floury Irish potato cakes and croquettes, all of them fried, and potato gnocchi, which are poached.

I suppose we all think we know how to make mash. But, just as there are potatoes and potatoes, so there is mash and mash; and many grown-ups might learn a thing or two from starting again from scratch. Try the recipe below and you may discover what a difference attention to detail can make.

My mash has certainly taken on a new lease of life as a result of whipping in air. This is food for the gods, food for grown men and food for just weaned babies (well, without the mustard). And as Lindsey Bareham points out in her heavenly feast of a book, *In Praise of the Potato* (Penguin, £9.99, 320 pages), mash is just one way to cook the versatile spud.

LINDSEY BAREHAM'S MUSTARD MASH

(serves 2-3)

The perfect mash for sauces and mash.

500g floury potatoes (King Edward are Bareham's favourite, I have been using Kerr's Pink, Wilja and Romano this week); 50g butter; 50-100ml milk (see

Lunch for a Fiver

Bigger and better

Lunch for a Fiver (£7.50 and £10) 1997 has proved bigger and more enjoyable from all accounts than any of its three predecessors. It has also meant a considerably larger mail/fax bag.

Most touching was a letter from a reader who went out with a group of friends to celebrate his 66th birthday with an FT £10 lunch at Sarastro restaurant, Covent Garden. The party donated a total of £250 to Save the Children which the proprietor, Richard Niyazi, then matched. Enclosed with his letter was the cheque for £500.

Collecting all the donations will take time and I hope to announce the overall amount, together with the restaurants you have judged to be the best in their price category, on March 1.

Most restaurants served even more FT lunches than in previous years. Steven Doherty, proprietor at the Punch Bowl, Crosthwaite, Cumbria, faxed his letter in haste as service was about to begin for his daily quota of 90 FT customers throughout the promotion. Kenneth Anderson, proprietor of the Marlborough Arms Hotel, Woodstock, said that what was normally the quietest time of the year had been transformed into a peak season - several customers even booked for weekend breaks in the hotel.

Joel Kissin, managing director of Conran Restaurants, reported that the FT lunches at Mezzo, which



reached 170 on several days, had been "a great success", and extended the offer into a third week. More specifically, executive chef John Torode added: "The FT lunch brought in a lot of customers from around the City who had abandoned the West End at lunch since the terrorist threats last summer."

At The River Café, W6, 50 per cent of its 90 covers for the fortnight on the first day of the promotion every table was filled by 2pm. Co-proprietor Rose Gray said: "The FT lunch brought in a lot of customers who cannot normally afford our prices, as well as quite a number of chefs from other restaurants keen to eat here."

Finally, a fax came from a woman calling herself Mum of Lexden, Suffolk. It began by describing how Dad had to be dragged from his shares and fax machine; how they stopped en route to the Regatta restaurant, Aldeburgh, to buy paint and a new lock and then wrote how delicious their FT lunch was: prawn toasts with sesame seed and oriental dip followed by Dover sole with angel hair noodles and mushroom sauce, a bottle of Chablis and mineral water.

Thank you, it ends, and we are looking forward to 1998, the fifth anniversary of the FT's Lunch for a Fiver.

Nicholas Lander



Hungry hogs if you leave the Iberian pig in a field or oak wood for long it will lay it bare

magnum photo

can swine fever and the sausages makers of Guijuelo near Salamanca nearly succeeded in eliminating it altogether. The swine fever was brought in from Angola, they say, via Portugal.

Even now Portugal is blamed for a lot of the things that go wrong with the pigs: wild boars returning from raping and pillaging in Portugal mount Spanish sows thereby sowing death and destruction among the breed. The Guijuelo farmers, keen on sausages than hams or loins, interbred the Iberian pig with modern Duroc swine to get faster-growing, meatier pigs.

The mixing of the breeds which went on in those dark days means that it is hard in some cases to guarantee the purity of the pigs. Agreement has been reached to limit the DO label to 75 per cent pure Iberian beasts and above. Many locals wanted to settle at 50 per cent.

Señor Rovigá of Sierra Major, one of the more enlightened ham producers in the area, says he would happily insist on 100 per cent if he were to receive some encouragement from the government and the European Union in particular, but the latter withholds the subsidies to them which are shelled out to farmers breeding hybrid hogs.

He has a point. As we headed for the regional capital of Zafra our driver argued vociferously that the

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It was a nasty time of the year to visit the Estremadura on the Spanish-Portuguese border, but the pigs seemed happy. We ran into a little clutch of them standing up to their elbows in a stream the colour of tomato soup with cream. Then we visited one of their sites in the high sierras. They all came rushing out in twos and threes to see the strangers.

Sometimes they collided with one another in the narrow aperture and were temporarily jammed in the door. Then they scarpered off, squealing into the *dehesa* or oak wood - red ones, black ones, red and black ones - and began to gorge themselves on acorns from oaks and cork oaks.

It is odd to see a pig run, their front trotters flung forwards, the hind legs shooting backwards. There are no flies on an Iberian pig. It has an appetite, too. Indeed they are little machines for converting protein into fat. In a day a pig of 80kg or more can scoff a 10th of its weight in acorns, chestnuts, quinces or windfall apples as well as another 2kg of grass.

If you leave the pigs in a field or oak wood for too long it will lay it bare, even

companies licensed to sell Iberian ham products under the DO or "Denominación de Origen". One of the largest is Sanchez Romero Carvajal, part of the Osborne group, most famous for sherry.

We went for a tour of the plant and saw slicing and cooking chorizos; black-pudding like morcillas; oval morcitos looking like slightly deflated rugby balls; and long strips of loin hung up over oak braziers to cure. Downstairs we met the hams and shoulders. Their preparation could not have been simpler. They are hurried in salt, washed and hung up to develop benign white mould which seasons the hams for the next two years.

We repaired to a handy little bar next door where a glass of fino was served and several plates of the loveliest ham in the world.

There is, in fact, more than one Iberian pig. There are as many as four or five sub-species, including the negro (black), rubio (red) and retinto (dappled) breeds mentioned above. My dream that the Iberian pig had remained free from genetic interference, however, was shattered during my visit to Jabugo. They blamed the English for the spotted or Manchado pig. Apparently British agriculturalists began working on the Iberian pig as early as the 18th century, crossing it with an English breed.

The Spanish themselves

have done worse since. Afri-

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PROPERTY

Andalucia's year-round retreats

Gerald Cadogan discovers a superb, remote place beyond the Costa del Sol's high-rise developments

Behind the Costa del Sol, the mountains of southern Andalucia start. This is another world from the high-rise and golf developments of the coastal strip. Ridge after ridge they stretch up towards Ronda, home of Spain's oldest bullring, and Seville. On the lower slopes, almonds and mimosa are in bloom, and the oranges and lemons sparkle against the tree's dark leaves. Higher up, the country turns to bare rock, gorges and upland plains. The villages are universally bright white under red, pink and ochre tiled roofs.

Much of Andalucia's tough mountain culture survives - many of its people died brutally during the Civil War. Cork oak strippers (in summer) and chanterelle gatherers (in winter) continue to make a good living, as they have for centuries. It is a superb, remote place to live, as expatriates have discovered over the past 15 years, leading to the nickname "the Spanish Chianti".

The weather can be extreme though. This winter has been the second wet one in a row after four years of drought. Everywhere roads have collapsed, mud slides abound and the long tracks to the houses are unusually rough. But there is an upside - it is turning into a vintage year for wild flowers, making a visit to Andalucia between now and May a visual treat.

I stayed near Gaucin (an hour's drive from Gibraltar/La Linea) at La Almudia, a friendly guest house on a *cortijo*, an old farm with 100ha (250 acre) holding with 12 houses (one is for sale). Provided you like dogs and

an unregimented life, it is an ideal base for walking, riding, painting and sightseeing. It is also a good base for house or plot hunters, especially since Diana Paget, owner of La Almudia, knows almost everything about the country and its properties.

Comparing southern Andalucia with Chianti is too simple. Both areas have British gentry, true. But although foreigners' houses are fewer in Andalucia than in Chianti, many live here all the year round, while in Chianti, around Gaiole, 1,000 UK summer residents shrink to 10 in the winter.

It is easy to reach the outside world from Andalucia, with many flights available to and from Malaga and Gibraltar. (Those in the know travelling to Andalucia via Gibraltar hire their cars in Spain at La Linea on the border and walk through the

frontier to avoid the hassles of taking the car through Spanish customs.)

The sea is near of course, unlike Chianti, if you want a walk on the sand on a sunny day in winter. Most of the time, however, you forget the razzmatazz of the coast. Because of the size of the mountains (up to 1,919 metres south-east of Ronda) the region from 711 to 1432 - trips to Morocco are available by ferry through Algeciras.

Buyers should ask for a *finca*, that is a smallholding, which may have a building on it ranging from a *cortijo* to a pigsty, or no buildings at all. In the latter case, ask what is the minimum area in the commune that can qualify for a permit to build. A local contact is essential, and it is wise to stay up in the hills during the search. Houses are often for sale privately by the owner, or sit for years semi-for-sale, until the owner finds a good enough offer. Patience is essential and one must not work hard.

According to Robert Germaux of Haciendas Real Estate Group, plots for building are far better value than on the coast, where 1,000 sq metres (the minimum required by the planners) costs Pta15m-Pta40m (£70,000-£180,000). Inland, where the minimum can be up to 10 times more, expect Pta10m-20m. Two houses Germaux is selling near Ronda, each for Pta75m, illustrate the up-country market neatly. One is a top-notch house with five bedrooms and 20 hectares,

and the width of the river required by the planners) costs Pta15m-Pta40m (£70,000-£180,000). Inland, where the minimum can be up to 10 times more, expect Pta10m-20m. Two houses Germaux is selling near Ronda, each for Pta75m, illustrate the up-country market neatly. One is a top-notch house with five bedrooms and 20 hectares,

house, conjured out of a boasting feral green parrot. It also has a dark blue tiled pool, the views from which are stunning. Hamptons asks Pta120m.

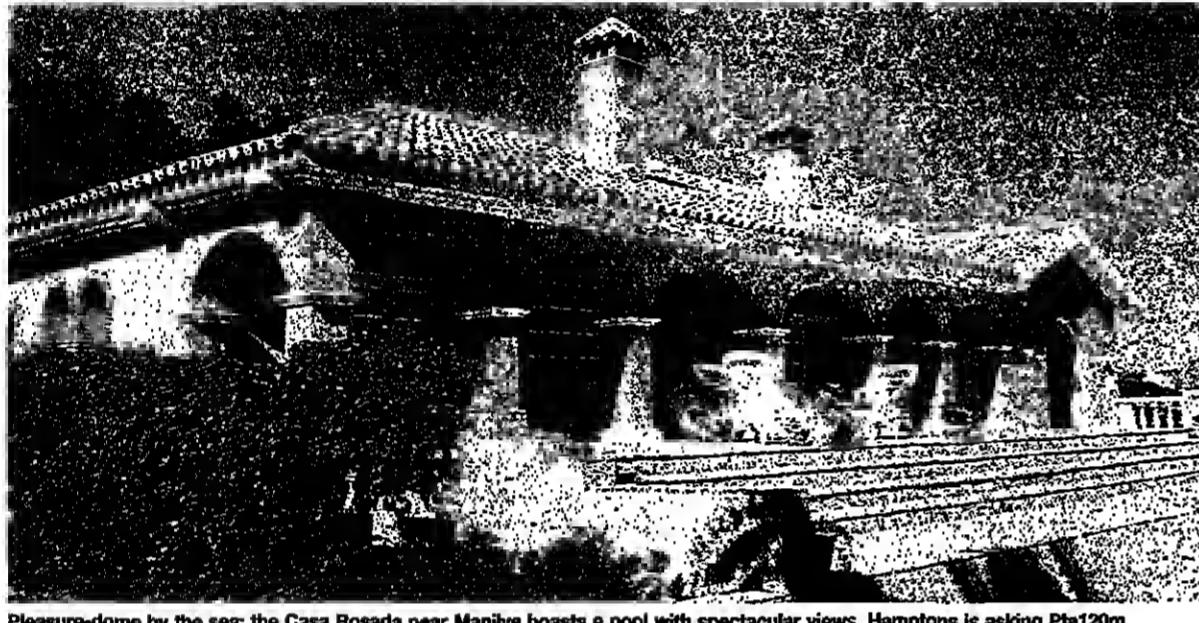
Buyers are advised to engage a Spanish lawyer, especially to check that there are no outstanding mortgages or unpaid taxes (for which you could become liable). Buyers should also avoid under-declaring the value of their property to the Spanish authorities, lest when the time comes to sell, they find they have created an unrealistically large capital gain on the profit. Hamptons's policy is to declare the paid price.

Finally, on inspection, pay particular attention to the ceilings. Are there stains? Or did the roof survive the hard test of the rains of 1996-97?

■ In Spain (0034): Rafael Calleja, Madrid (1-411-5765); Haciendas Real Estate Group, Benahavis (5-285 5555); Hamptons, Marbella (5-286 1909); Luna Krom-Möller, Marbella (5-222 7215); Art von Kruiselbergen, Ronda (5-211 4227); Christopher von Meister, Gaucin (5-215 1303); and La Almudia guesthouse, Gaucin (5-215 1200).



Breathtaking views towards Gibraltar and the mountains of Africa from the secluded Cerro Herrera near Gaucin, a *cortijo* with typical Andalucian house set in 11 acres



Pleasure-dome by the sea: the Casa Rosada near Manilva boasts a pool with spectacular views. Hamptons is asking Pta120m

the other is a ruin with 120ha, enough land to afford privacy and the chance to rebuild. Germaux cautions "don't expect to make money in agriculture as a foreigner unless you happen to have a cork oak forest", where 600ha can bring Pta100m every eight or nine years (the cycle for de-barking cork oaks).

On the edge of Gaucin Cerro Herrera is a glorious

house, conjured out of a boasting feral green parrot. It also has a dark blue tiled pool, the views from which are stunning. Hamptons asks Pta120m.

Buyers are advised to engage a Spanish lawyer, especially to check that there are no outstanding mortgages or unpaid taxes (for which you could become liable). Buyers should also avoid under-declaring the value of their property to the Spanish authorities, lest when the time comes to sell, they find they have created an unrealistically large capital gain on the profit. Hamptons's policy is to declare the paid price.

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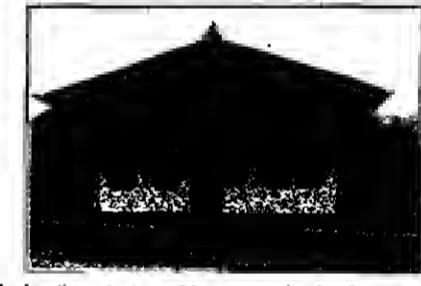
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COLLECTING



A view of Windsor, by Paul Sandby: the picture will be on the Spink stand at The World of Watercolours this weekend

Stop-go-stop going slowly but surely

Green shoots is not a nasty disease that attacks old furniture but what the antiques trade claims to be spotting across the land. For antique dealers the recession went on and on. Every time trade seemed to pick up demand suddenly melted away. But, at last, this stop-go-stop, which has depressed the business for seven years, seems to be coming to an end.

Phillips and Bonhams, the auction houses which specialise in the middle and lower price range, both reported 16 per cent increases in turnover last year, and although few dealers, who have grown accustomed to playing second violin to the auction houses in the quantity of antiques sold, will have matched this growth, the general atmosphere is more buoyant. Any object of good quality, sound provenance, preferably useful and, ideally, decorative is fetching more now than a year ago.

However, the revival might be too late for some dealers, and not just those at the bottom end of the market. The top dealers, trading in expensive paintings, are

experiencing a big shake-up. A combination of European Union regulations, and changes in the property market, on top of slack demand, is threatening Bond Street's eminence as the epicentre of the London art world.

The Brussels challenge concerns tax. London's traditional dominance – it accounts for 70 per cent of the European art trade – owes everything to its freedom from restrictions, mainly financial. EU harmonisation policy has brought in VAT on art sales. Initially the UK government managed to limit the VAT to 2.5 per cent and the trade hoped that would be that.

But by 1999 the rate is set to rise to 5 per cent and many dealers fear steadily steeper levels.

The government seems to have lost the argument with Brussels that higher taxes drives the art market away from Europe as a whole and towards the US. In addition the EU is also keen to harmonise *droit de suite*, a royalty for artists' heirs, which would introduce to the UK an extra charge of between 2 per

cent and 4 per cent on most 20th century pictures. This could also arrive by 1999.

It is not so much the added costs but the paperwork that the taxes bring with them, with a raft of exceptions and a flood of bureaucracy. It is these administrative headaches which has led the UK's leading oriental art dealer, Giuseppe Eskenzai, to consider switching operations to New York: he is holding his first exhibition there next month, alongside the Asian Art Fair, to test the water.

But it is the leading picture dealers who are under most pressure to leave. As with Eskenzai few of their clients are British: London was regarded as the ideal entrepot for their business. So Pace Wildenstein, one of the best dealers in the world, is planning to quit London for New York, while Dutch and Flemish specialist Johnny van Haeften is threatening to retire early, because of all the extra paper work.

It is not just Brussels that is causing change. The world's top

retailers are desperate for outlets in Bond Street, and selling out to a clothes shop is very tempting for a picture gallery with a Bond Street frontage which pulls in just a handful of new clients a year.

Colnaghi has already decided to switch its operations to the

Fairs have become vitally important to most dealers during the recession

back of the gallery, selling off the window to fashion. Agnews is planning a similar revamping of its precious premises. Other dealers, such as Leger, have preferred to merge, being bought by Spinks, which, in its turn, is owned by Christie's. There are rumours that Sotheby's is seeking to acquire a major dealer.

This flurry at the top has passed by most dealers. Their hopes are concentrated on making a profit in 1997, and their optimism is rising on the back of the reviving housing market and all those building society handouts.

The first important event of the year, last month's Art '97, London's market place for contemporary art, was a great success, attracting 40,000 visitors, a dramatic rise over the 30,000 in 1996, with art worth well over £2m finding new homes. This fair is cashing in on and expanding the popularity of contemporary art as fashion statement.

This weekend a very different type of art lover will be coming to town. The World of Watercolours (and Drawings) summons from the shires the mainly middle-aged, and the predominantly middle class, who maintain the traditional British love of watercolours.

The 10,000 or so addicts must remember to go to a new venue; for the first time in its 12-year history the fair finds itself in the

grand surroundings of The Dorchester. But all the familiar dealers – Spink and Leger, Martin Gregory, Rupert Maas, Julian Hartnoll, Bill Drummond and over 40 more – will be offering everything, from the 18th century to the modern day, but with an emphasis on the decorative and the traditional.

Fairs have become vitally important to most dealers during the recession. Many have closed their shops and now operate from home and fairs, where they meet new clients, examine (and buy) their rivals' stock, and catch up with trends. We are moving into the fair season and from February 26 to March 2 the first of the three annual Olympia gatherings arrives, including contemporary art to appeal to younger collectors, while among the specialist occasions, the Original Print Fair will be at the Royal Academy again, from February 27 to March 2.

It is surprising that the antique market has been so slow to improve. There has been a considerable increase in disposable incomes. Perhaps it is because the new collectors are more interested in contemporary antiques – toys, pop and film memorabilia, sports paraphernalia – and in buying the one or two antiques which come from their homes. It is all a question of confidence. Everyone is aware that most antiques, particularly paintings, like houses, suffered a slump in value in the early 1990s. Buyers are now selective. But in 1997 their passion for the best will overcome their caution.

Yale leaps into the modern era

A Damien Hirst installation is set to shake up Connecticut, finds Michael Carlsen

Patrick McCaughey has been director of the Yale Center for British Art in New Haven, Connecticut, for almost a year, yet he still finds it hard to contain his enthusiasm as he guides an interviewer around the galleries.

He enters the Turner room, praising the building designed for Paul Mellon by Louis Kahn. "I love the double cube of these rooms, classic Palladian influence. The way other rooms are framed across the way. And it's all natural light."

McCaughey, London-born, Australian-bred, runs what he describes as "outside the Tate, the world's foremost collection of British art". This month, marking the

collection's 20th anniversary, he takes that collection in new directions, unveiling his first important acquisition, Damien Hirst's "In & Out of Love".

The piece is a multi-part installation from 1991 and consists of eight paintings adorned with butterflies, four boxes, a table and four butt-filled ashtrays.

One senses that McCaughey might welcome controversy. He previously ran Wadsworth Atheneum in Hartford, Connecticut, where he staged the famous Mapplethorpe show which was subsequently banned in Cincinnati.

"Our province has traditionally been from the birth of Hogarth to the death of Turner, but I'm determined

to show that British art doesn't come to a deadening halt in the 19th century," McCaughey says.

"The British 20th century is very neglected – currently it's far livelier than the American."

The Yale Center was founded 20 years ago when Paul Mellon, from the Yale class of 1929, donated his collection and established an endowment to house and expand it.

The collection reflects Mellon's skill as a collector, and his own interests, particularly in the gallery's sporting art. "We have the finest collection of Stubbs in the world, which Paul Mellon began collecting as a graduate student at Clare College, Cambridge, when Stubbs

was deeply unfashionable," McCaughey explains.

"Mellon's collecting has always followed his own interests. Clare was boring him, so he took his horses to Britain, and thus discovered Stubbs. In the 1940s he became interested in Jung, and at the same time began collecting Blake, the great chronicler of our interior myths. Our Blake collection is immense."

Other specialities include the Camden Town group. But McCaughey is keen to take the Yale forward. "You can imagine my trepidation at suggesting to a lover of sporting art that we buy a major piece by an artist who's notorious for cutting up dead animals," he says.

"But I said, it's time we

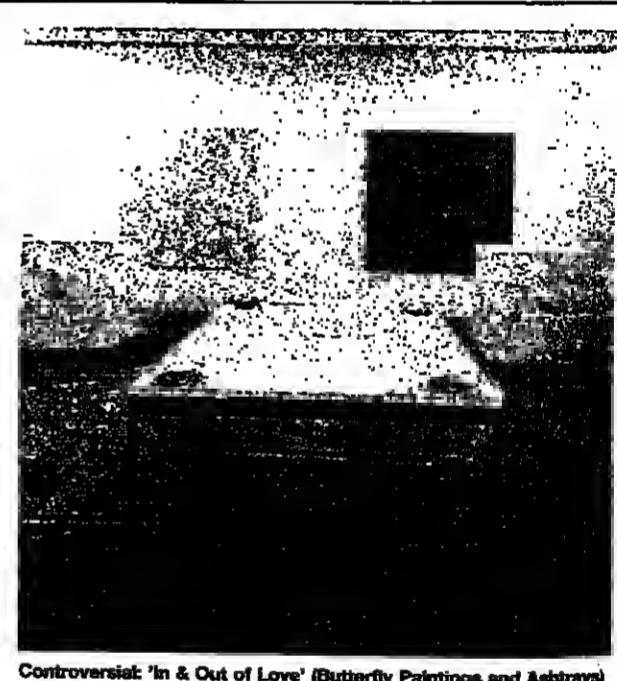
drive a stake into the ground, and Paul Mellon looked at the slide and said it reminded him of Ben Nicolson, and he liked it. In the end, we bought eight works by Alfred Munnings, who's known as the Sargent of Horses, and the Hirst."

McCaughey does, however, face one considerable problem. After this anniversary year the Yale will close for 1998 to repair a leaky roof. In the meantime, preparation for a William Blake show in April and plans for a travelling exhibition are keeping McCaughey busy.

At first glance, New Haven may seem an odd place for a leading collection of British art. In the 17th century the colonial city sheltered England's regicide judges. Later, it became a thriving cultural centre, with Broadway previews and first-run theatre. Now it is a decaying rust-belt city, with the opulence of Yale University at its centre.

"Yale is determined to become more involved with reviving the city," McCaughey says, "and the museums are the front of house."

He points out of his office window to the University Art Gallery, where there is an Eakins show. "This is a city of 130,000. We are showing the British treasures from the Hermitage Museum, directly across Chapel Street is Eakins, and both are free. How many major cities in the world could say the same?"



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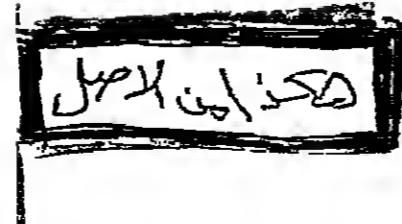
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INTERNATIONAL ARTS GUIDE

What's on in the principal cities

AMSTERDAM

CONCERT

Concertgebouw Tel: 31-20-6718345
 ● Koninklijk Concertgebouw: with conductor Riccardo Chailly and cellist, Godfried Hoogeveen performs works by Bartók and Bruckner; 8.15pm; Feb 8, 7

EXHIBITION

Rijksmuseum Tel: 31-20-6732121
 ● Reflections on the Everyday - Dutch Genre Prints from the 16th and 17th century: in the late 15th century, woodcut artists and engravers began portraying scenes of everyday life in prints. Amorous couples, farmers on their way to market, groups of musicians: scenes such as these were especially popular in the 17th century. This exhibition provides a survey of the genre prints with works by van Leyden, Rembrandt and van Ostade accompanied by lesser known prints by their contemporaries; from Feb 8 to May 4



Conductor Daniel Gatti is performing in Rome

● Werther: by Massenet. Conducted by Kent Nagano, performed by the Orchestre de l'Opéra de Lyon and the Maîtrise de l'Opéra de Lyon. Soloists include Lorraine Hunt, Gérard Théreau and Marc Duguay; 8.30pm; Feb 2 (5pm), 4, 6

MADRID

CONCERT

Auditorio Nacional de Música Tel: 34-1-3370100
 ● Orquesta Nacional de España: with conductor Góthir Hernández and violinist Jesús Ángel León perform works by Beethoven, Mozart and Schumann; 7.30pm; Feb 7, 8

EXHIBITION

Fundación la Caixa Tel: 34-1-4354833
 ● Amelia Peláez, Frida Kahlo, Tarsila do Amaral: exhibition showing the history of Modernism and the roots of contemporary art in South America through the work of three female artists: Amelia Peláez, Frida Kahlo and Tarsila do Amaral. On display are about 100 works, establishing similarities and differences between these artists, the contact they had with European movements, the influence of Paris and the US in their work, and their attempts to discover the roots of their countries; from Feb 7 to Apr 27

ATHENS

CONCERT

Athens Concert Hall Tel: 30-1-7282333
 Orchestra del Maggio Musicale Fiorentino: with conductor Zubin Mehta: performs works by Schubert and Stravinsky. Part of the Schubert cycle; 8.30pm; Feb 4, 5

BADEN-BADEN

EXHIBITION

Staatsliche Kunsthalle Tel: 49-7221-23250
 ● Cindy Sherman: retrospective exhibition of work by the American photographer, including four of her best known series: "Film Stills" (1977-80), "Disquiet Pictures" (1986-89), "Sex Pictures" (1992) and "Horror Pictures" (1995); to Mar 23

BERLIN

CONCERT

Konzerthaus Berlin Tel: 49-30-20354438
 ● Euridice: by Peri. Conducted by René Jacobs, performed by the Staatskapelle Berlin. Soloists include Victor Torossian, Monica Bacelli and Bernhard Fink; 7pm; Feb 4, 5

EXHIBITION

Alte Nationalgalerie Tel: 49-30-209050
 ● Adolf Menzel (1815-1905): Between Romanticism and Impressionism: this retrospective exhibition comprises about 130 paintings, drawings, pastels and watercolours by Adolf Menzel, one of the leading German artists in the second half of the 19th century. In addition to many of Menzel's acknowledged masterpieces the exhibition includes sketches and drawings depicting bourgeois life in Berlin, Menzel's family circle and landscapes in and around the Prussian capital; from Feb 7 to May 11

Berlinsche Galerie - Martin-Gropius-Bau Tel: 49-30-254880

● Edward Kienholz: A Retrospective: exhibition tracing the works of Edward and Nancy Reddin Kienholz over the past 40 years. The couple's work embraced aspects of Pop Art and Surrealism, influences apparent in their installation work shown here; from Feb 7 to Mar 31

OPERA

Deutsche Oper Berlin Tel: 49-30-3438401
 ● Susannah: by Floyd. Conducted by Marie-Jeanne Dufour, performed by the Deutsche Oper Berlin. Soloists include Karen Armstrong and Dean Peterson; 8pm; Feb 8

BRUSSELS

CONCERT

Palais des Beaux-Arts Tel: 32-2-5078200 (Concerts)
 ● Pieter Wispelwey: the cellist performs works by Bach; 8pm; Feb 5, 7

OPERA

Théâtre Royal de la Monnaie Tel: 32-2-2291200
 ● Tristan und Isolde: by Wagner. Conducted by Antonio Pappano, performed by La Monnaie. Soloists include Ronald Hamilton, Anne Evans and Tom Fox; 6.30pm; Feb 4, 8

COLOGNE

OPERA

Opernhaus Tel: 49-221-2218240
 ● The Nightingale: by Stravinsky. Conducted by Johannes Stört, performed by the Oper Köln. Soloists include Natalie Karl, Mariola Mainka, Machiko Obata and Darmel Toulon; 3pm; Feb 4, 8

DUBLIN

CONCERT

National Concert Hall Tel: 353-1-6711888
 ● National Symphony Orchestra of Ireland: with conductor Takuo Yuasa and organ-player Fergal Caulfield perform works by Schubert, Dupré and Dvorák; 8pm; Feb 7

EXHIBITION

National Gallery of Ireland Tel: 353-1-6615133

● Frederick William Burton: this exhibition drawn from the Gallery's permanent collection pieces Burton's most popular work, "The Meeting on the Turret Stairs", in the context of his other works. The Victorian Irish artist was heavily influenced by the German Romantic movement; from Feb 7 to Apr 6

EDINBURGH

CONCERT

Usher Hall Tel: 44-131-2281155
 ● Royal Scottish National Orchestra: with conductor Anne Manson and the Yggdrasil Quartet of Aberdeen perform works by Stravinsky, Crosswell (world premiere) and Dvorák; 7.30pm; Feb 7

EXHIBITION

Scottish National Gallery of Modern Art Tel: 44-131-5568921
 ● Alan Davie: Works on Paper: exhibition of around 120 drawings by the Scottish post-war painter Alan Davie. Only 10 of the works, which date back to the 1940s, have been displayed in public before. The drawings include works used as starting points for some of the artist's best-known paintings. Davie established his international reputation in the 1950s with an abstract style notable for its bold use of colour and complex subject matter; from Feb 8 to Apr 20

FORT WORTH

EXHIBITION

Kimbell Art Museum Tel: 44-171-3228451
 ● Georges de la Tour and His World: this exhibition brings together 32 paintings by the 17th century French painter Georges de la Tour and 10 works by leading contemporaries, including Caravaggio, Jacques Bellange, Simon Vouet and Hendrick ter Brugghen. The works, selected from public and private collections in Europe, the US and Japan, serve to illustrate the place and meaning of La Tour's art in the context of early 17th century culture. La Tour is best remembered for his realistic portrayal of scenes from everyday life and for the dramatic themes of his religious works; from Feb 2 to May 11

GENEVA

CONCERT

Victoria Hall Tel: 41-22-3283573
 ● Ensemble Contrechamps: with conductor Armin Jordan and pianist Martha Argerich perform works by Weber, Schönberg and Prokofiev; 8.30pm; Feb 5 (7pm), 6, 7

POP-MUSIC

Geneva Arena Tel: 41-22-312511/12/13
 ● Sting: performance by the English rock singer; 8.30pm; Feb 8

HANOVER

EXHIBITION

Sprengel Museum Tel: 49-511-1683875
 ● Marc Chagall: "Himmel und Erde": exhibition of the artist's work selected from the museum's own collection, featuring 160 etchings, as well as paintings and lithographs; to Feb 16

HOUSTON

EXHIBITION

The Menil Collection Tel: 1-713-525-9400
 ● Mark Rothko: The Chapel Commission: exhibition marking the 25th anniversary of the commissioning of the Rothko Chapel, a unique assignment that allowed the abstract artist to explore potential interactivity between painting, architecture and natural light; to Mar 30

OPERA

Wortham Theatre Tel: 1-713-237-1439
 ● Salomé: by R. Strauss. Conducted by Christopher Eschenbach, performed by the Houston Grand Opera. Soloists include Hildegard Behrens, Neil Rosenshain, Katherine Cieslinski and Richard Paul Fink; 7.30pm; Feb 7

EXHIBITION

Feb 4, 7

LIVERPOOL

EXHIBITION

Tate Gallery Liverpool Tel: 44-151-7093223
 ● Paula Rego: a retrospective of the work of the British painter Paula Rego, including more than 80 paintings and, on public view for the first time, early sketches and preparatory drawings. The exhibition, prepared in collaboration with the artist, best known for her large narrative paintings, shows the range of Rego's work from 1959 to 1995; from Feb 8 to Apr 13

LONDON

CONCERT

Wigmore Hall Tel: 44-171-8352141
 ● Emma Kirkby and Anthony Rooley: the soprano and the lutenist perform works by Dowland and Holborne; 6pm; Feb 5

EXHIBITION

Courtauld Institute Galleries Tel: 44-171-8732526
 ● The Art of Etching: an exploration of the art of etching through works from the Courtauld Gallery's permanent collection, including pieces by Tiepolo, Piranesi and Canaletto; from Feb 5 to May 25

OPERA

Royal Opera House - Covent Garden Tel: 44-171-2129234
 ● Lohengrin: by Wagner. Conducted by Valery Gergiev, performed by the Royal Opera. Soloists include Karita Mattila, Gwyneth Jones and Serge Lehtorius; 6pm; Feb 8

LOS ANGELES

EXHIBITION

Huntington Library, Art Collection and Botanical Gardens Tel: 1-818-405-2100
 ● Masterpieces in Little: Portrait Miniatures from the Collection of Her Majesty Queen Elizabeth II: this travelling exhibition from the British Royal Collection features 75 miniature portraits, many of which have never been on public display. Spanning four centuries, the collection is particularly rich in examples by artists recognised as masters of the medium: Hans Holbein the Younger, Nicholas Hilliard, Isaac Oliver and Jeremiah Meyer. Shaped by the individual preferences of members of the royal family, the collection is especially valuable from both a cultural and historical standpoint: documenting marriages, court favourites and notable events. Included are likenesses of Henry VIII, Elizabeth I, Mary Queen of Scots, George III and Victoria the Princess Royal (later Queen Victoria); from Feb 2 to Apr 13

The J. Paul Getty Museum Tel: 1-310-453-7611
 ● Manuscript Illumination of the 13th Century: this exhibition of 19 works from the museum's collection of European illuminated manuscripts explores the art of painting in books in the 13th century. Many artists from this period achieved dramatic new effects with the combination of reflective gold and saturated, jewel-like colour. A newly acquired set of canon tables by the Armenian artist Toros Roslin illustrates the richness of this technique. The exhibition also features manuscripts from Byzantium, England, Flanders, France, Germany and Italy; to Apr 6

OPERA

Civillighes-Theater - Altes Residenztheater Tel: 49-89-2968363
 ● Il Barbiere di Siviglia: by Rossini. Conducted by Ralf Welker and performed by the Bayerische Staatsoper. Soloists include Edita Gruberova, Marita Knoberl and Eric Serra; 7pm; Feb 5, 6 (7.30pm)

EXHIBITION

Huntington Library, Art Collection and Botanical Gardens Tel: 1-818-405-2100
 ● The Image of Man: Photography and Masculinity 1920 to 1950: 80 photographs explore the male body, representations of masculinity and associated taboos. With rarely seen images gathered from the collections of The Art Gallery of Australia and the National Gallery of Australia, the exhibition forms part of this year's Sydney Gay and Lesbian Mardi Gras celebrations; from Feb 7 to Apr 6

OPERA

Residenz-Theater - Altes Residenztheater Tel: 49-89-2968363
 ● Il Barbiere di Siviglia: by Rossini. Conducted by Ralf Welker and performed by the Bayerische Staatsoper. Soloists include Edita Gruberova, Marita Knoberl and Eric Serra; 7pm; Feb 5, 6 (7.30pm)

SYDNEY

EXHIBITION

Art Gallery of New South Wales Tel: 61-2-2251700
 ● The Image of Man: Photography and Masculinity 1920 to 1950: 80 photographs explore the male body, representations of masculinity and associated taboos. With rarely seen images gathered from the collections of The Art Gallery of Australia and the National Gallery of Australia, the exhibition forms part of this year's Sydney Gay and Lesbian Mardi Gras celebrations; from Feb 7 to Apr 6

NEW YORK

EXHIBITION

Brooklyn Museum Tel: 1-718-538-5000
 ● Recent Acquisitions: The James Brooks Gift: showcase for the Museum's recent acquisition of James Brooks' preparatory drawings and studies for his large-scale mural "Flight"; from Feb 7 to May 4

Cooper-Hewitt National Design Museum Tel: 1-212-850-8585
 ● Making Messages: Graphic Design in Contemporary Culture: exhibition focusing on innovation in American graphic design from 1980 to 1995. Highlights include a video documenting typography and the moving image, an interactive computer programme allowing visitors to experiment with type, and a CD-Rom display allowing visitors to experience publications in sequence; to Feb 15

MOMA - Museum of Modern Art, New York Tel: 1-212-708-3400
 ● The Architecture of Alvar Aalto: the first large-scale retrospective in the US of the architect's work, including 120 drawings, 20 models, 50 photographs and several large-screen videos; from Feb 5 to May 5

Solomon R. Guggenheim Museum Tel: 1-212-423-3600
 ● A Century of Sculpture: The Nasher Collection: masterpieces of 19th and 20th century sculpture drawn from the collection formed by Patsy and Raymond Nasher are on view in this exhibition, providing a survey of the last 125 years of the medium. The collection ranges from the pioneering work of Paul Gauguin, Auguste Rodin and Medardo Rosso in the late 19th century to contemporary works by Magdalena Abakanowicz, Tony Cragg and Claes Oldenburg; from Feb 7 to May 28

OPERA

Opéra de Lyon Tel: 33-72 00 45 00
 ● Werther: by Massenet. Conducted by Kent Nagano, performed by the Orchestre de l'Opéra de Lyon and the Maîtrise de l'Opéra de Lyon. Soloists include Lorraine Hunt, Gérard Théreau and Marc Duguay; 8.30pm; Feb 7 to May 28

EXHIBITION

Opéra de Lyon Tel: 33-72 00 45 00
 ● Le Nozze di Figaro: by Mozart. Conducted by Leopold Hager, performed by the Metropolitan Opera. Soloists include Kiri Te Kanawa, Barbara Bonney and Jane Bunnett; 1.30pm; Feb 4, 8 (8pm)

Metropolitan Opera House Tel: 1-212-362-6000

● Le Nozze di Figaro: by Mozart. Conducted by Leopold Hager, performed by the Metropolitan Opera. Soloists include Kiri Te Kanawa, Barbara Bonney and Jane Bunnett; 1.30pm; Feb 4, 8 (8pm)

PARIS

CONCERT

Cité de la Musique Tel: 33-1 44 84 45 00
 ● Borodin Quartet: perform works by Shostakovich and Schubert; 8pm; Feb 7

Théâtre des Champs-Elysées Tel:

33-1 49 52 50 52
 ● Jean-Pierre Rampal, Claudio Arrau and John Steele Ritter: the flutists and pianist/harpsichordist perform works by Telemann, Mozart, Kuhlau and Verdi; 11am; Feb 2

Théâtre du Châtelet Tel: 33-1 44 33 00 00

I was dining with a voluptuous, sable-clad companion at Monsieur Neanderthal the other night when Gordon Brown sidled up, snirked, sat down - and sent our spirits sagging as only he can.

I was puzzled, for Monsieur Neanderthal is the coolest of the in-places in *Nothing Hill*, London's hippest neighbourhood. So cool is Monsieur Neanderthal that people such as Brown never normally penetrate its mythical interior. If they do, they are gathered up abruptly by one of Monsieur Neanderthal's 7-ft bouncers and tossed back into the street, to the wry amusement of those of us - major party boys and girls - who are supposed to be on the inside, looking out.

Yet here he was, Gordon Brown. Mr Lugubriousness. At my table. Smirking at my sable-clad companion. "Gordon," I said sharply. "How did you get in? Do you know where you are?"

For those who live their lives

True Fiction

Tax-cutting talks with the Ticktocks

Think big, tax fat, then think thin and tax slimming products, advises Michael Thompson-Noel

Thousands of miles from Britain's turbulent shores, I should explain that Gordon Brown is not an unimportant person. He will be Britain's next Chancellor of the Exchequer (Finance Minister). Soon, the British electorate, despite its negative IQ, will be faced with the right-of-centre Conservative government that has ruled and abused it for many an eon and, in its place, a left-of-centre "New" Labour government led by the youthful ravishing Tony Blair.

At which point Blair's bosom friend, Brown, will assume charge of Britain's economy, and will face the challenge that bedevils all western

governments: how to raise the tax take while pretending to lower it. Blair is said to be obsessed with the idea that a New Labour government should not increase tax rates, especially personal tax rates. And we all know what that means. It means years of fudge and bludge: giving with one hand and taking with the other: statistical legerdemain; verbal trickery.

Brown flapped a hand. "How did I get in? No prob, actually. My minders explained to the bouncers that I was Britain's Chancellor-in-waiting and that I wanted to talk to you. It was as easy as pie." Brown's sinister minders, who are also his advisers, are known as the

Ticktocks. They accompany him everywhere. Bad charcoal suits. Herbie Frog ties. Rubber shoes. Laptops. Palmtops. Really bad news.

"The reason I want to talk to you," Brown continued, "is that I hear you've thought of a wheeze for increasing the tax take while appearing to lower it. If you tell me about this wheeze, I'll cut you in. You can have 3 per cent of the amount by which your idea increases the tax take while appearing to lower it."

"OK," I said. "Three per cent it is, though my wheeze is transparent. It does not involve subterfuge but it does require chutzpah. Think big, Gordon. Think fat. Fat will be your

salvation. First, you'll have to start taxing food heavily, especially fat-inducing foods. Obesity is harmful. Nobody likes obesity. That's your excuse. However, at the same time you'll also impose a special tax on all slimming products. Slimming is big business. Sales are enormous. But slimming can be harmful. You'll have to make that clear."

"If we believe the Body Image Task Force, a fat-acceptance group in California, dieting can lead to anxiety, depression, lethargy, lowered self-esteem, decreased attention span, weakness, high blood pressure, hair loss, gall bladder disease, gallstones, heart disease, ulcers, constipation, anaemia, dry skin, skin rashes, dizziness, reduced sex drive, menstrual irregularities, amenorrhoea, gout, infertility, kidney stones, numbness in the legs, weight gain, compulsive eating.

Spain, Japan, France - everywhere. So you've got this pull-and-push effect which you, Gordon, can tax to the hit: slimming is big business, but it can be harmful. People are actually getting fatter, but that is harmful, too. So you can tax foodstuffs and slimming products with near-imunity.

"Naturally, this will give you great scope for lowering other taxes. And you will reap the diff. I reckon that the difference between what you'd gain by taxing fatness and thinness and what you'd give away by lowering other tax rates could be - don't quote me - £7bn to £10bn."

Gordon Brown said: "Michael, you're amazing." But then he blundered. In his excitement he snatched up a menu. He thought he was joining us. Quick as you like a 7-ft bouncer gathered him up and threw him into the street. The Ticktocks swiftly followed. People who gatecrash Monsieur Neanderthal walk a gossamer tightrope.

Metropolis

A menu of cohesion and disparity in Chinatown

The changing character of Chinese enclaves in big cities has a historical perspective, says Robert Thomson

When Roman Polanski made a film about a private detective entangled in corruption and intimidation, he shrouded the scenario in shadows and menace by calling it *Chinatown*, although the Chinese content was barely more than a bit-part.

It is part of the image of Chinatown that behind passive faces and the cardboard boxes of sugar cane, persimmon, peppers and cabbage that there is a culture of extreme violence. That, at least, is the appeal to a film director in search of a catchy title and another layer of impeded intrigue.

So for some Chinese, the word Chinatown has the air of insult. It carries echoes of the derogatory word "Chinaman" and reminds them of the prejudices and the attacks which had encouraged ethnic Chinese to gather together for security near the centres of a metropolis. And that was before the US passed the Chinese Exclusion Act in 1882, when Chinese were considered a serious threat to "our peace and welfare".

The ornamental arch in London's Gerrard Street is inscribed with the characters *naqiu*, probably best translated as Chinatown. But even if the name is not a problem with the majority of the inhabitants, the personality of the place itself is changing.

Come the celebrations for the Year of the Ox next week, with dancing lions and seasonal dumplings, the Chinese audience will have a far broader spread of accents and dialects than was the case a decade ago. Along with long-resident Cantonese, there will be the less nasal tones of the



Out with the old: Chinatown will hear less nasal tones of the Beijing-born and the slang of the Shanghaiese

Beijing-born and the slang of the Shanghaiese.

The changing character of Chinatown tells of shifts within China: the rush of students to foreign universities; the arrival of influential mainland companies; the Hong Kong handover; and the relaxation of Beijing's passport policy which had verged on the paranoid until the 1980s.

And then, in the US, there are the "Illegals".

Officer David Yat, who works for the Fifth Precinct in Manhattan, says that the most recent official estimate of Asians living in Chinatown was 44,000 in the 1980 census. That figure should be doubled, he says, to take into account illegal residents: "But we don't worry if they are illegal. That is not our department's job. We are here to assist them."

He says the recent arrival of mainlanders, particularly Fujianese, has created territorial tensions in the streets around East Broadway, where sweatshops compete piece-for-piece with the low-rent factories in east Asia. "The Cantonese have moved a little more north and a little more south to make way. It's difficult for us because they speak a different dialect: Fujianese or Mandarin, and we don't have a big percentage of officers who do."

London's Chinatown, hemmed in by Soho, Covent Garden and the overflow from Leicester Square, does not have a tenebrous textile industry or New York-style basement bunk houses. Manchester Chinese, only half-joking, say that London, with its curly-roofed red telephone boxes from the ersatz Qing, is designed to entertain tourists, not to sustain a community.

The London Chinatown Association

estimates that of the 150,000 ethnic Chinese residents in the UK, about 100,000 are in London. It expects a majority of the 50,000 Hong Kong families given right of abode by the British government to settle in the capital. Longer term, the most influential newcomers will be the mainlanders who have the weight of numbers behind them.

In 1980, only 5,300 holders of People's Republic of China passports entered the UK, in 1990, 20,400 arrived and, in 1995, 44,600. In 1990, 340 students arrived from the PRC and, in 1995, there were 2,250 who took up courses. The northern Chinese among them have challenged the southern traditions of Chinatown, as they have a diet more based on wheat than rice and a reputation as being less mercantile minded.

The big event this year is the return of Hong Kong to Beijing, and it is clear that some money is moving out before the People's Liberation Army moves in. A rush of apartment purchases, often sight unseen, by Hong Kong buyers has helped turn round the central London property market, and New York

police say money appears to be flowing out of Hong Kong into local Chinatown banks.

The US police presumption is that triads will try to shift operations and personnel offshore, though they have not yet surfaced in larger than normal numbers on New York's streets. David Yat says "there is trouble with the TO [Tung On gang] in

the bastard children of early 20th century Chinese warlordism and 19th century US racism, eloquently described by President Grover Cleveland, who said the Chinese were "impossible of assimilation".

The isolation of the first arrivals, mostly single men lured by the prospect of gold, encouraged the formation of associations (tongs) and the closed culture of Chinatown. Competition for the support of its residents turned political with the rise of communism on the mainland and the exile of the Nationalists on Taiwan.

The political segregation has eased, and in the same Gerrard Street, London, newsagency you can buy mainland and Taiwanese publications, but the struggle

continues.

Last July, the Taiwanese Central News Agency complained of

"Beijing's fierce competition for overseas Chinese loyalty". A more interesting example is a made-for-the-mainland melodrama called *Beijing Native* in New York and screened in 1993. It had all the usual soap stuff, with an accomplished cellist forced to

wash dishes in a restaurant

and his wife making

sweaters and, later, leaving him

for an American businessman.

The People's Daily attempted to

score points by suggesting that

"no matter where you go, you

always remain Chinese".

Coping with crude calls for

"patriotism" to the Motherland,

and dealing with questions about

loyalty to the UK is part of the

self-defined brief of Yung Yung

Wah, who was raised in Hong

Kong by a family with roots in

Shanghai, studied at Manchester

University and, in 1992, became

that city's first ethnic Chinese

woman to be appointed a justice

of the peace.

She co-wrote *British Soil, Chi-*

ness Roots, a sometimes frank,

sometimes idealised portrait of

local life published last year. At

the launch, a Chinese official

complained that she had included

references to Taiwanese organisa-

tions in the UK.

Sitting in the New Emperor

restaurant in Manchester's Chi-

natown, Yung Yung explained

that she was "proud of this Chi-

natown", but that publicity about

triads and protection rackets

made people wonder if "it is safe to walk on the streets".

Local police say that it is convenient for a small-time hood to suggest that he has a link to a powerful Hong Kong triad, but there is little evidence of crime syndicate control.

Yung Yung, Mrs Buckley as she is formally known, talked for three hours about the mixed emotions and the ambitions of local Chinese, and she herself reflected many of the concerns/hopes of Chinese who have lived abroad during the past two centuries.

She worries about the identity of BBCs (British-born Chinese) who no longer cultivate their roots; she sees the recognition she has gained as a recognition for her community. She is angered that her prominence has made her a target for endless Chinatown gossip. She is annoyed that the west is trying to "suppress" the emerging Chine; and she glows gently about the 10,000-book public library she has established. Within those covers is literary evidence of Chinatown's more varied present - Catherine Cookson in Chinese.

But that's the outer buffer zone!" my incredulous London travel agent exclaims when I ask him to book me a ticket to Peace River, my home town in northern Canada.

We briefly exchange cosmopolitan small-talk about how charmingly old-fashioned such remote hamlets tend to be - a conversation that gives me a guilty thrill at what a sophisticated urbanite I have become.

Then I surrender my credit card number and what seems to be a small fortune and a few weeks later I am off on a January visit to my family.

As the final light aircraft takes off from Edmonton, the Alberta capital, "outer buffer zone" seems an apt description for the bleak white desert which unfolds below. The 300-mile journey, almost due north, takes me over a vast expanse of flat prairie buried in several feet of snow and an evergreen forest the size of Wales in which the deer outnumber the people.

If I were driving, I would not pass any towns larger than my destination which, with a population of 10,000, is the commercial hub of the Albertan north.

Gazing down at the emptiness, I fight a rising wave of panic. Will I survive the next four days of Arctic isolation? Will there be enough to do, to talk about, to

eat? At least, I think in snog

self-consolation, I can wow my teenage sisters with my slick city style - chocolate brown (the "black" of 1997) flared trousers and a brown velvet shirt.

But when I walk to my airy, cedar childhood home on our family farm 10 miles out of town, my sisters seem to have more pressing concerns.

"Oh, sorry, we were surfing," they explain, when at last I come upon them in the study, their two rapt faces bathed in the bluish glow of their computer screen.

"Know anything about Nigerian human rights abuses?" asks Katie, the 15-year-old. "I've joined Amnesty International through the Net and that's our latest campaign."

Instead of Nowberesville, I seem to have arrived in Cyber-city. Deflated, I try a hesitant little twirl to draw attention to my metropolitan splendour.

"Nice pants, I bought some like them in LA last summer," Katie observes as I fise the room lest Anne discover my guilty secret - I have no E-mail address.

Only we, the chosen, frozen people, can handle the weather

and nostrils. A notice-board inside the chalet gives a daily warning of how long it takes exposed flesh to freeze, alongside the bulletins about the weather and snow condition.

Preoccupied by adjustments to my neck-warmer - in the end I decide it should go on top of my turtle-neck sweater but beneath

the thick ear-flaps of my woolly hat - it is not until we are dragged up by the T-bar that I notice my sisters have actually come out without coats.

"These sweaters are really warm," they insist between shivers when I question their suicidal

strengths.

Scanning the slopes more carefully, I notice that none of the teenage girls are wearing Parkas.

Next to our bulky figures, enveloped in wool and down, they look like naked wreaths and as I watch them the explanation slowly dawns.

"Are you worried that Parkas

make you look fat?" Eyes downcast, my sisters nod. On top of the familiar adolescent threat of anorexia, it seems northern girls must contend with hypothermia as well.

For many of their less image-conscious elders, though, the winter is welcome. Logging and oil exploration, two of the mainstays of the local economy, can only be done when the ground is frozen, making the year's coldest months some of the busiest.

One Farmer-for-Justice has

even been to jail for the cause: he

was imprisoned for independently exporting some of his

wheat across the border to the

US. In solidarity, the Peace River

Farmers for Justice, and other

like-minded crusaders across the

prairies, mounted their own ver-

satance. Hundreds of them carried

sacks of wheat on foot across the

US border.

Of course, the

■ Last week's interim results

Company	Year to	Pre-tax	Interim dividends
	year to	profit (£'000)	per share (p)
Abbott Lloyd	Int'l Sept	94,28	1.55 (1.55)
Araxis	Int'l Oct	204	0.41
Bailey (Ch)	Eng Sep	201	0.20
Bailes Hunter	Int'l Nov	1,510	1.616
British Assets	Int'l Dec	(-)	2.5
Cassidy Bros	AMM Oct	324	0.75 (0.75)
Cavington & Gray	FinP Sep	1,020	1 (1.00)
Chapman	Eng Sep	1,280	0.55
Colfax & Fawcett	Int'l Oct	1,010	0.90 (0.75)
Coors-Cyclone 55	AMM Oct	348	0.45 (0.75)
Corus Products	PP&P Sep	776	0.75 (0.75)
Corp Executive	Eng Sep	85	0.10
Derby Business 55	Eng Dec	28,000	37,100
Dunlop Tl-Dusk	AMM Oct	251	0.40
Ehleif	Int'l Nov	318	0.4 (0.4)
Entelco	FinP Sep	2,000	0.67 (0.1)
Epic Multimedia	AMM Nov	921	1 (1.00)
Eurodis Electron	Int'l Oct	3,680	1.85 (1.85)
Feedback	EE&E Sep	367	0.79 (0.75)
F	Eng Sep	2,810	2.00
Fibricon Comtek	EE&E Nov	15	0.25 (0.75)
General Income	Int'l Dec	(-)	2 (2)
Goodhead	Int'l Nov	810	0.1 (0.05)
H&C Furnishings	Int'l Oct	328	2.0 (1.0)
Haynes Publ	Int'l Nov	2,240	2 (2.00)
Honeyuckles	Int'l Dec	282	0.16 (0.5)
Ind Greetings	AMM Sep	2,280	1.00 (0.50)
Investors Capital	Int'l Dec	(-)	1.35 (1.35)
Ivernia West	Edl Sep	138	1 (1.00)
Key's Food	FinP Sep	11	0.78 (0.78)
Lister	Int'l Sep	982	0.50 (0.50)
Monks-Swain	EE&E Oct	7,020	5 (5.91)
Metromedia	AMM Sep	1,325	0.45
Mitsys	Spys Nov	22,700	19,200
Murray Income	Int'l Dec	408.5	2,85 (2.7)
NWf	AMM Nov	882	1.220
Park Food	Int'l Dec	5,220	5,700
Peel	Prop Sep	5,480	4,940
Podium Foods	AMM Nov	80	0.50 (0.50)
Property Trust	Prop Sep	519	271
Rakuten	Eng Nov	8,040	2,840
Scottish National	Int'l Dec	88.3	0.64 (1.7)
Scottish Pride	AMM Dec	2,450	300
Stam Selective	Int'l Sep	188.8	171.0
Smith (W)	Int'l Nov	38,000	37,300
Stewart Zipsounds	Offn Sep	54	24
Tomorrow Leisure	Int'l Sep	22	259
WF Electrical	Dist Oct	3,000	2,200
Wyo	Dist Oct	5,830	2,000

(Figures in parentheses are for the corresponding period) *Dividends are shown per share, £ is £1, pence and pence, * 3-month figures. † Net asset value per share. ‡ 12-month figures. § 3-month figures. ¶ Pro forma results versus pro forma forecasts. || 6-month figures versus 12-month figures. ** 3-month figures. ¶ 25-week figures.

Bids/deals

Electra Fleming, the venture capital backer behind a £75m management buy-out for William Cook, claimed yesterday the steel casting group was at the centre of a smear campaign aimed at derailing the deal, writes Tim Burt.

The company, which is fighting a £17.8m hostile bid from rival Triplex Lloyd, this week faced allegations of apparent discrepancies between a downbeat trading statement and financial information it gave to its shareholders a month earlier.

Andrew Cook, chairman and chief executive of William Cook, confirmed a request 'had' been lodged with the Department of Trade and Industry to investigate his company. But he dismissed it as an attempt by Triplex to destabilise its defence.

Electra Fleming said: "We do not give these allegations any credence."

Engineering group FKI this week abandoned its £186m hostile bid for Newman Tonks, the architectural hardware company, after Ingersoll-Rand made a £230m counter offer.

■ Current takeover bids and mergers

Company	Value of bid	Market value	Pre-tax	Estimtions	Dividends
	per share (£)	per share (£)	profit (£'000)	per share (p)	per share (p)
Appleby Westward	171.3	167.1	129	9.5	PW&G
Araxis	21%	214	20	15.37	Hannover Indus
Burnfield	172%	170	100	60.22	Patent Group
Clyde Petroleum	105	115.6	84%	431.97	Gulf Canada
Cook (Wm)	384.55	425	240	73.3	Triplex Lloyd
Cook (Wm)	25%	425	375	60.81	Steel Castings
East Midlands E.I.	670	670	611	1,225.00	Derwent Res
Fenchurch	66%	62	616	24.43	London Lambert
Gravis Group	177.55	175	125%	35.67	Headland Group
JB Group	182	151	109	210.10	Lloyd Thompson
Lloyd's Chemicals	52.57	522	516	550.47	Safe
London Building	705	635.4	633.4	1,228.00	Energy
Newman-Tonks	179	151.9	123.82	1,223.82	Ingersoll-Rand
Midland Bank	651	520	559.75	CE Electric UK	
OSC Int'l	119.3*	117.7	116%	72.3	Barham
Scott Pindar	57*	54%	51%	7.20	Core Labs

Prices in pence unless otherwise indicated. *All cash offer. **For capital not already held.

† Based on purchase prices 31/1/97. §§ Shares and cash. ¶ AW

** Licences - based on purchase price of 31/1/97. §§ Shares and cash. ¶ AW

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Weekend Investor

Wall Street

The strength behind all those records

John Authers finds plenty of evidence for US economic optimism

Perhaps it is time to return to fundamentals. Wall Street started the year in eye-catching fashion, with the indices tracking the movements of the bond and equity markets whirling like so many dervishes.

Records were set for the all-time highest level - with the Dow Jones Industrial Average briefly topping 6,900 - and for the busiest day's trading. The Dow also came within a whisker of setting a new mark for its worst afternoon fall in history.

Strip away the technical gauze, and January provided plenty of new data on the underlying strength of the economy. The quarterly earnings season, now virtually complete, confirmed that corporate America still is growing - and faster than most had thought.

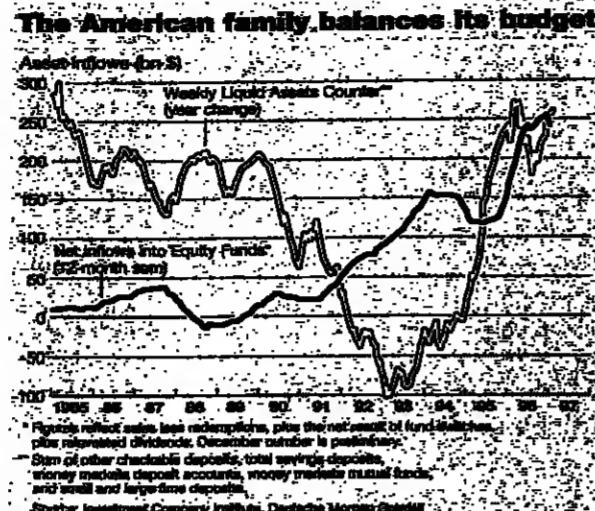
Most of the news from the boardrooms has been good, with profits coming in ahead of predictions. Generally, they are about 10 per cent above their level of the year before. But turnover is up by more than this, so confirming that profit margins are under a little pressure.

According to a Prudential Securities analysis, profit gains were greatest in the energy sector (up 42.8 per cent) where companies generally managed to do better than analysts had expected. Consumer and financial services companies also registered percentage profit growth in the teens.

Where companies had to bring bad news to the market, they found it had factored this into the price already. This was most obvious in the paper sector, where falls of 30 per cent or more in wholesale paper prices led to a "chainsaw massacre" of earnings figures.

So far, positive earnings surprises, exceeding analysts' expectations, have outnumbered negative surprises by about two to one, and no blue-chip company has had to disappoint the market with figures significantly poorer than expected.

Thanks to the strength of fundamentals, companies are also starting to make themselves very popular in Wall Street by reshuffling themselves. This week, Hilton International even unleashed a hostile bid for



the rival ITT group, owner of crown jewels such as Sheraton Hotels and Madison Square Garden, in a glorious throwback to days past.

This is just the sort of behaviour Wall Street wants to see. More significantly for the long-term health of the market, American consumers also seem to be behaving just the way Wall Street would like.

The monumental flows of cash into equity mutual funds have been well-documented, as has the recent

vogue for index funds which has helped large capitalisation stocks. Figures from the Investment Company Institute this week confirmed that last year was a record one, albeit very slightly below initial estimates.

Anecdotal evidence is that the fund management industry is having its best month ever. The problem, frequently rehearsed in Wall Street boardrooms over the past few years, is that this money could just as easily be withdrawn.

But research on broader financial flows, published by Deutsche Morgan Grenfell this week, suggests that these flows may not carry the sting in the tail.

According to Ed Yardeni, Deutsche's chief economist, flows into "liquid assets" (which he takes to include cheque accounts of all forms, savings and deposit accounts, money market mutual funds and time deposits) continue to rise to record levels each week.

He estimates flows into these cash savings vehicles in the year to January 13 at

\$255bn. This is slightly higher than the flows into equity mutual funds for 1996, as confirmed by the institute.

Having a pool of cash accumulating like this while the stock market continues to rally is extremely positive for equities. It lessens the chances of mass redemptions when the market turns down, and means that consumers have flexibility to deal with a serious economic downturn.

How can this be explained? Yardeni suggests that the philosophy is: "Stocks for retirement. Cash for emergencies." In other words, households are pouring money into retirement savings and then making sure it can stay invested for a rainy day by keeping other assets liquid.

Retirement savings, particularly from post-war baby boomers, have formed the backbone of the mutual funds' rising sales. Yardeni suggests this could mean the boomers believe they have taken enough risk by investing their pension money in equities; either that or they are feeling insecure about their jobs.

It also indicates that, given a greater feeling of security, US households have yet more money which they could put into equities.

Dow Jones Ind Average
Monday 6001.09 +33.75
Tuesday 6036.08 +4.61
Wednesday 6140.74 +94.65
Thursday 6223.28 +83.12

Barry Riley

Preparing the soil for Labour

It is a good time to consult a crystal ball

May 1 remains the targeted day for a UK general election, prime minister John Major is said to have told journalists after Monday's meeting at Chequers, his official country residence, to finalise the Conservative party's manifesto. It remains to be seen if the choice of the traditional socialist festival day as the occasion for the poll proves to have symbolic significance. But the Labour party appears to remain more than 20 points ahead in the opinion polls, for what they are worth.

If the government is indeed to change after 18 years, the financial community is approaching the date with notable stoicism. Reassured by shadow chancellor Gordon Brown's promise not to raise the 23 and 40 per cent income tax rates, the City of London's mobile international financial fat cats are no longer discussing moves to more lightly taxed jurisdictions, as they did before previous general elections. Wealthy investors do not appear to be rushing to take money out of the country or set up elaborate structures to protect their wealth.

Should savers be more worried? Certainly, there is no question of Labour's repeating the policies of the

1960s and 1970s. On the other hand, nor can we expect a rerun of the 1980s.

According to Brown and leader Tony Blair, Labour - or New Labour as it now calls itself - will stick to existing public spending ceilings for at least two years as well as freezing income tax rates. But then, in 1984 and 1986, the late Harold Wilson swore he was not going to devalue, which he did in 1987. And, in October 1974, chancellor Denis Healey never dreamt that, within two years, he would be going cap-in-hand to the International Monetary Fund.

What will happen if Labour arrives at the Treasury and finds (or claims to find) something nasty lurking in the nation's "books"? How will it respond to a future crisis arising, perhaps, from a renewed surge in public sector borrowing or European currency turmoil?

Let us recall the financial environment when Labour was last in power. In the spring of 1979, income taxes ranged up to 83 per cent of earned income and an amazing 98 per cent of "unearned income". There were exchange controls on investments and controls on company dividends. Admittedly, conditions had been little better under the Conservative government of Edward

Heath between 1970 and 1974. The middle classes survived those grim years with the help of certain crucial tax shelters. There was unlimited relief at the highest rate on mortgage interest; this made home ownership absurdly cheap. There was also generous tax relief on pensions. Membership of Lloyd's of London was another favourite device for outwitting the plodding tax inspector. Today, those shelters have been seriously eroded. Mortgage interest relief is now vestigial, and pensions relief applies only to incomes up to (in 1997-98) £24,000. As for Lloyd's - enough said.

So are the middle classes now defenceless against attack? Fortunately not, because they are now protected indirectly by the openness of the economy. In the absence of foreign exchange controls, the government cannot interfere

Confused? Can't remember whether Abbey National is trying to make a friendly bid for Scottish Amicable or a hostile offer for Scottish Life? It has been that kind of week in the markets. What sounded for a while like a pack of wolves howling in the distance turned out to be some friendly labradors pinning for their Winat.

At one point, it seemed as if Wall Street was finally experiencing the long-expected correction which UK investors have been fearing. But the Dow Jones Industrial Average bounced back from its short-term period of weakness, as it has so often

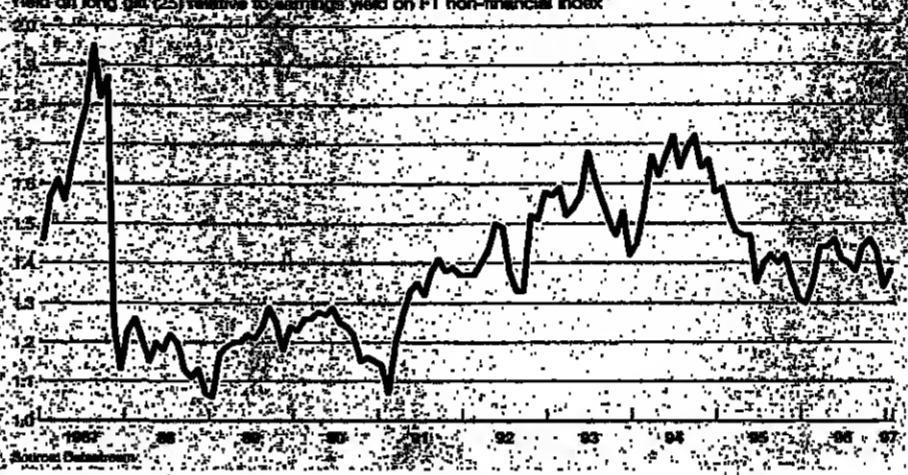
repeated with voting only three months away at most.

The interest rate policy debate also reared its head. The minutes of the December monetary meeting indicated that Eddie George, the governor of the Bank of England, had said base rates might have to rise by half a percentage point in the first few months of this year. But most analysts think Kenneth Clarke, the chancellor, will continue to ignore the government's advice.

As each of the week's worries - Wall Street, politics and interest rates - was eased (at least, for the moment), the UK stock market was able to forge ahead. There was even a little bit of bid excitement. The approach from Abbey National to Scottish Amicable should not really boost the overall market, since the latter is a mutual, but any takeover activity sets traders speculating on what the next target might be.

FT Non-financial

Yield to price ratio (percentage) to earnings yield on FT non-financial index



■ Highlights of the week

	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change	
FTSE 100 Index	4275.8	+57.0	4275.8	+57.0	3612.6	+1.6	Wall Street strength														
Baileys Group	758	+51	758	+51	48412	+102	Upbeat trading statement														
Biocamptech	1158	+227	1157.5	+358	Merrill Lynch recommends																
British Home	1282	+221	1272.4	+319	Oil Lynch recommends																
Carton Comm	5891	+66	5891	+66	Digital TV hopes																
Enteprise Oil	8861	+63	8861	+63	533	+53	S. Italy drilling news														
First Direct	8897	+33	8897	+33	3262	+10	Michael Grade appointment														
Gt Universal Stores	8481	+305	770	+57	Analysts more positive																
Marks & Spencer	4951	+161	533	+416	Positive trading statement																
Premier Farnell	5251	+164	5251	+512	Profits warning																
Rank Group	440	+275	547	+39	Hopes of film distribution sale																
Reckitt	499	+169	499	+325	Recovery																
Sainsbury (J)	3221	+184	4091	+322	Negative sentiment																
TI Group	598	+192	5874	+466	Recommendations																
Zeneca	18041	+1192	1806	+1218	Currency shift																

with interest rates or dividends in the way it did. Moreover, tax rates on personal and company incomes cannot differ radically from levels in the UK's major trading partner countries in continental Europe or the US. But they can certainly go up.

The middle classes may note that the fiscal straitjacket which Brown has donned is not quite as tight as a mental patient in Broadmoor might require. Labour could raise, or abolish, the income ceiling on National Insurance contributions (NICs), which now stands at £465 a week. In specific investment areas, the Conservatives' never tax shelters (Texas (now-exempt special savings accounts) and Peps (personal equity plans), could be restructured and/or cut back in size; for instance, an overall ceiling could be imposed on the size of a PEP which, at the moment, can roll up in an unrestricted way year by year (unit trust Peps alone are now worth £25bn). Confusingly, Labour has proposed yet another savings plan, the Individual Savings Account.

Elsewhere, though, pension contributions could be further restricted and tax relief at the 40 per cent rate withdrawn, to be replaced by 23 per cent or some other lower rate. The residual tax

relief on mortgage interest could be abolished, saving £1.5bn a year. Very large tax reliefs are being given to pensions - some £1bn for occupational schemes, not counting personal plans. These could be further attacked by tinkering with company taxes. We know about the controversial proposed windfall tax on certain privatised utility companies, but Labour has also expressed concern about high dividend pay-outs and allegedly weak capital spending.

Norman Lamont, when Tory chancellor in 1993, made an earlier raid on dividends by reducing the tax credit from 25 to 20 per cent. In effect, this cut the dividend income of pension funds and Peps at a stroke by 6.25 per cent. Brown could further reduce, or even eliminate, the tax credit. He would argue that this would end an anomaly whereby retained (and reinvested) company profits can be taxed more highly than dividends distributed to tax-free institutions.

He would be constrained

by the potential damage to pension schemes, both corporate and personal. It is only the tax relief that makes funded pension schemes attractive. Why else would anybody lock away their pension savings? He would be constrained by the potential damage to pension schemes, both corporate and personal. It is only the tax relief that makes funded pension schemes attractive. Why else would anybody lock away their pension savings?

He would be constrained

London

Howls that became yelps

Philip Coggan reflects on a week of fluctuation



be much of a guide. It is true that Labour was expected to win the election in 1992, although its lead in the opinion polls was much narrower than it is now. In that year, the All-Share dropped by 2.9 per cent in the three months leading up to the vote.

With five years ago, the economy was just emerging from recession and the pound was still in the exchange rate mechanism; price/earnings ratios were lower (14, compared with 18.7 today) and dividend yields were higher (5 per cent, compared with 3.6 per cent).

For the elections of 1983 and 1987, it was quite clear in advance that the Conservatives were going to win and the stock market moved strongly ahead before the polls.

Going back to the last time Labour won an election - the two polls of 1974 under Harold Wilson - is not much help, either. The economy was facing the oil crisis, industrial unrest leading to a three-day week, and rampant inflation.

Given that it has been 18 years since the UK had a Labour government, it is hard to believe that the market will not have an occasional wobble before the vote - although, of course, if the Conservatives start catching up quickly, share prices could rise ahead.

Labour has tried very hard indeed to adopt a "responsible" pose on issues such as public spending and income tax, but investors will

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FT MANAGED FUNDS SERVICE

\ Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG
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**LUXEMBOURG
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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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WORLD STOCK MARKETS

Dow ahead on supportive data

AMERICAS

A jump in the bond market that sent the yield on the 30-year Treasury down to around 6.8 per cent helped US shares to move ahead for a second session, writes *Lisa Brunstein* in New York.

At 1pm, the Dow Jones Industrial Average was 43.87 stronger at 6,887.73 and the Standard & Poor's 500 climbed 6.75 to 780.33. Technology shares continued the rally which began on Thursday with the Nasdaq composite gaining 10.84 at 1,361.06 and the Pacific Stock Exchange technology index climbing 0.8 per cent. NYSE volume was 307m shares.

Before the market opened, the Commerce department

reported that the US gross domestic product rose a stronger than expected 4.7 per cent in the fourth quarter of last year, while the price deflator rose by a smaller than expected 1.4 per cent.

Those figures were especially supportive of the equity market because they indicated that the economy remained strong but there was little threat of inflation.

Several companies moved on earnings announcements as the reporting season drew to a close. Kellogg climbed \$1 at \$69 after announcing operating earnings that were slightly ahead of expectations. Coca-Cola, which is a component of the Dow, advanced 5% to \$58 on Thurs-

days on reports that a New Jersey company allied with the Russian airline, Transaero, had offered to take a controlling stake in the US airline. TWA said that the talks had never progressed to board level and its shares fell \$4 to \$64.

TORONTO rode out another bad morning for gold stocks, rising strongly in solid volume to close with the S&P composite index up 19.76 at 6,104.86 on the noon calculation.

Texas Instruments jumped \$5 or 7 per cent to 570c amid hopes for a new semiconductor that the company was to introduce next week.

TWA gave back some of the 5% it rose on Thurs-

days on reports that a New Jersey company allied with the Russian airline, Transaero, had offered to take a controlling stake in the US airline. TWA said that the talks had never progressed to board level and its shares fell \$4 to \$64.

SAN PAULO

surged strongly during a morning session which saw a marked improvement in levels of activity. Dealers said big local players had returned to the market and that there had been keen buying by foreign funds.

At midsession the Bovespa index was up 1,567 or 2 per cent at 79,456.

SANTIAGO

picked up 1 per cent as Endesa traded higher after its better than expected earnings figures, released late on Thursday. The IPSA index rose 1.12 to 110.96 at midsession as Endesa rose 1.5 per cent to 256.76 pesos.

CS2.35 to CS38.50 and Newbridge Networks jumped 65 cents to CS48.50.

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The golds sector gave up a further 1.1 per cent with Barrick Gold off 25 cents to CS36.10 and Placer Dome down 40 cents to CS27.50. But transports and utilities pushed forward strongly.

Northern Telecom surged 1.5% to 256.76 pesos.

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Notes	Price
100007	100
100008	100
100009	100
100010	100
100011	100

BANKS, RETAIL

Notes	Price
100012	100
100013	100
100014	100
100015	100
100016	100

BREWERS, PUBS & REST

Notes	Price
100017	100
100018	100
100019	100
100020	100
100021	100

BUILDING & CONSTRUCTION

Notes	Price
100022	100
100023	100
100024	100
100025	100
100026	100

BUILDING MATS. & MERCHANTS

Notes	Price
100027	100
100028	100
100029	100
100030	100
100031	100

CHEMICALS

Notes	Price
100032	100
100033	100
100034	100
100035	100
100036	100

CHEMICALS - Cont.

Notes	Price
100037	100
100038	100
100039	100
100040	100
100041	100

DISTRIBUTORS

Notes	Price
100042	100
100043	100
100044	100
100045	100
100046	100

DIVERSIFIED INDUSTRIALS

Notes	Price
100047	100
100048	100
100049	100
100050	100
100051	100

ELECTRICITY

Notes	Price
100052	100
100053	100
100054	100
100055	100
100056	100

ELECTRONIC & ELECTRICAL EQPT

Notes	Price
100057	100
100058	100
100059	100
100060	100
100061	100

ENGINEERING

Notes	Price
100062	100
100063	100
100064	100
100065	100
100066	100

EXTRACTIVE INDUSTRIES

Notes	Price
100067	100
100068	100
100069	100
100070	100
100071	100

FOOD PRODUCERS

Notes	Price
100072	100
100073	100
100074	100
100075	100
100076	100

GAS DISTRIBUTION

Notes	Price
100077	100
100078	100
100079	100
100080	100
100081	100

HEALTH CARE

Notes	Price
100082	100
100083	100
100084	100
100085	100
100086	100

ENGINEERING, VEHICLES

Notes	Price
100087	100
100088	100
100089	100
100090	100
100091	100

EXTRACTIVE INDUSTRIES

Notes	Price
100092	100
100093	100
100094	100
100095	100
100096	100

HOUSEHOLD GOODS

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